Austria ..Sch 20 Indonesia ..Rp 2500 Philippines ..Pes 20
Bahrain ..Din 0.650 Israel ..IS 3.50 Portugal ..Esc 90
Belgium ..BFr 45 Italy ..L 1500 S. Arabia ..Rls 6.00
Canada ..C$1.00 Japan ..Y550 Singapore ..S$ 4.10
Cyprus ..C£0.70 Jordan ..Fils 500 Spain ..Pta 175
Denmark ..Dkr 8.00 Kuwait ..Fils 500 Sri Lanka ..Rup 30
Egypt ..E£1.00 Lebanon ..L£ 26.00 Sweden ..Skr 7.00
Finland ..Fmk 8.50 Luxembourg ..LFr 45 Switzerland ..SFr 2.20
France ..FFr 8.00 Malaysia ..Rm 4.25 Taiwan ..NT$65
Germany ..DM 2.20 Mexico ..Pes 300 Tunisia ..Din 1.375
Greece ..Dr 80 Morocco ..Dh 8.00 Turkey ..L 350
Hong Kong ..HK$ 12 Netherlands ..Fl 2.75 U.A.E. ..Dh 6.50
India ..Rup 15 Norway ..Nkr 7.00 U.S.A. ..$1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,974 Tuesday July 8 1986 D 8523 B

Soviet Union plans its nuclear inquest, Page 16

World news

US backs Aquino's stand on rebels

US Presidential spokesman Larry Speakes reaffirmed White House support for the Philippines Government of President Corazon Aquino as she gave rebel leader Arturo Tolentino, former President Marcos's vice-presidential running mate, a 24-hour ultimatum to surrender with his few hundred followers.

In the absence of Mr Marcos, Mr Tolentino had himself installed as "acting president" and set up a rebel government in a hotel.

After 300 troops who had joined him gave up to Government forces, President Aquino appealed to Mr Tolentino to come out "as no one has been hurt and the public has not suffered that much inconvenience."

Arafat warns

PLO leader Yassir Arafat warned that the two-week ceasefire in the Beirut camps war was designed to give Syrian-backed forces time to regroup for fresh attacks.

Storm over shooting

The political storm in France over the shooting of a fleeing motorist continued as the riot policeman responsible was charged with manslaughter. Page 2

Nuclear monitors

A private team of US scientists will set up monitoring equipment near the Soviet Union's main nuclear test site at Semipalatinsk, Kazakhstan, to show it is possible to verify a complete test ban.

Ministers interrupted

European finance ministers trying to hammer out a new Community budget for 1986 following the overturning of the previous one by the European Court were interrupted by a bomb scare. Page 18

Galen sentenced

Count Ferdinand von Galen, the former managing partner of Schröder, Münchmeyer, Hengst and Co, was sentenced to three years and nine months in prison for his part in the bank's near-collapse. Page 2

Malaysia unmoved

The Malaysian Government remained unmoved by international reaction to the hanging of two Australians for drug trafficking. Premier Dr Mahathir Mohamad said he did not expect it to sour relations with Australia. Page 3

Pope moves on

The Pope wound up his visit to Colombia after an 11-city tour and took off for St Lucia in the Caribbean.

Mexico vote dispute

Mexico's ruling Institutional Revolutionary Party and opposition National Action Party both claimed victory in state and municipal elections in Chihuahua, which were marked by widespread ballotrigging. Page 4

Tamil peace talks

Leaders of the moderate Tamil United Liberation Front may join s new round of peace talks with the Sri Lankan Government, but separatist guerrillas indicated they would not join them.

Chinese Playboy

The first Chinese edition of Playboy went on sale in Hong Kong. Publisher Albert Cheng hoped Peking would eventually appreciate its "artistic values."

Global reach

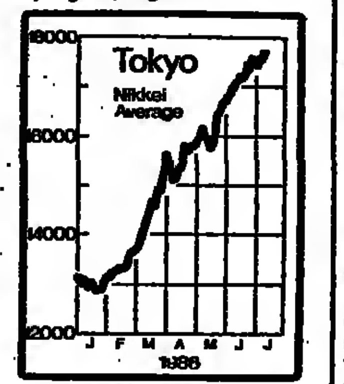
Business leaders from a dozen countries met in Anchorage, Alaska, for five days of discussions organised by tha Global Infrastructure Fund on projects including a 2,000 mile ice road passing through the North Pole and a Eurasian highway.

Business summary

German shipyard files for protection

HARMSTORF, West Germany's fourth-largest shipyard, sought protection from its creditors in a bid to stave off bankruptcy. Page 18

TOKYO: Shares rose sharply on news of the ruling Liberal Democratic Party's election victory. The Nikkei stock average hit a record 17,714.07, up 118.71 after eclipsing the previous high reached on July 3. Lex, Page 18; Page 44



WALL STREET: At 3pm the Dow Jones industrial average was 49.91 lower at 1,850.96. Page 44

LONDON: Equities ended lower upset by the trend on Wall Street while gilts made further progress. The FT Ordinary share index dropped 8.7 to 1,347.8 while the FT-SE 100 ended sharply lower at 1,631.0, down 18.4. Page 44

DOLLAR rose in London to DM 2.1835 (DM 2.1755); SFr 1.7810 (SFr 1.7650); FFr 6.9875 (FFr 6.9475), and Y160.75 (Y160.50). On Bank of England figures the dollar's index rose to 113.5 from 113.4. Page 37

STERLING fell in London to $1.5345 ($1.5370). It rose to DM 3.35 (DM 3.345); SFr 2.7325 (SFr 2.7125); FFr 10.7225 (FFr 10.6775) and remained unchanged at Y246.75. The pound's exchange rate index fell 0.2 to 75.8. Page 37

GOLD rose $0.75 to $344.75 on the London bullion market. It also rose in Zurich to $344.80 from $342.90. In New York, the Comex August settlement was $345.90.

US SUPREME COURT struck down as unconstitutional the key provision of the Gramm-Rudman law which requires a balanced US budget by 1991. Page 18

AUSTRALIAN budget deficit for 1985-86 reached A$5.74bn (US$3.7bn), more than seven times the target of A$825m. Page 3

TAIWAN lifted a ban on imported video tape recorders but imposed heavy tariffs on them. Page 4

MORGAN GUARANTY'S plans to establish a securities-dealing branch in Tokyo through its UK subsidiary have aroused strong opposition from Japanese banks. Page 21

WESTPAC, Australian banking group, agreed to pay US$115m for William E. Pollock, one of 35 primary dealers in the huge US government securities market. Page 27

SUEZ, French state-owned financial and industrial group, expects an increase of 20 to 30 per cent this year in net profits, which last year rose 46 per cent to FFr 1.52bn ($218m). Page 20

ROBERT MAXWELL, UK publisher, made a last minute bid of $61m for US magazine group Scientific American, which has already agreed an offer of $52.6m from West Germany'a Holtzbrinck concern. Page 19

BAUSCH & LOMB, US opticals company, is paying $97m for Dr Gerhard Mann, West Berlin-based producer of ophthalmic drugs. Page 19

SÜDDEUTSCHE Zucker, West Germany's largest sugar producer, plans to merge with its smaller rival Zuckerfabrik Franken in response to amalgamations elsewhere in the European sugar industry. Page 20

SWEDISH Government commission criticised the management of Sonesson, engineering group, for insider trading before the flotation of Leo its pharmaceutical subsidiary. Page 21

Landslide win by LDP strengthens Nakasone's hand

BY JUREK MARTIN IN TOKYO

MR YASUHIRO NAKASONE'S chances of remaining Prime Minister of Japan for the foreseeable future increased sharply yesterday after he had led the ruling Liberal Democratic Party (LDP) to the biggest landslide victory in its 31-year history in Sunday's elections.

His personal and political triumph, which exceeded all expectations and which Mr Nakasone himself characterised as "a gift from heaven," was compounded by the heavy gains mada by his own faction inside the LDP.

In the election for the important 512-member Lower House, from which governments are formed, the LDP won 300 seats, up from 250 in 1983. This instantly dispensed with the need for the current coalition with the New Liberal Club.

In the 252-member Upper House, only half of whose seats were at stake, the LDP defended 63 and won at least 71, assuring itself of a comfortable majority of about 140 seats.

With some Upper House results outstanding and with the final affiliation of some elected MPs uncertain, it seemed likely that the Nakasone faction would become the second or third largest inside the LDP, up from fourth place. Together with the Tanaka faction, which also scored well, and with which it has had a loose understanding, it could dominate the party.

This means that Mr Nakasone could succeed in rewriting the existing LDP rules preventing him from serving as party president, and hence Prime Minister, beyond October. He was circumspect about this yesterday but Mr Shin Kanemaru, the influential LDP secretary-general and co-architect of the election success, openly alluded to the possibility.

This may not be decided for some weeks, however. One of Mr Nakasone's rivals, Mr Kiichi Miyazawa, the LDP executive chairman, glumly insisted yesterday Mr Nakasone had to live up to his promise to step down. But the prevailing view was that the LDP had no plausible reason to dispose of Mr Nakasone.

The election proved that a good turnout benefits the ruling party. It rose to over 71 per cent from just under 68 per cent in 1983. The LDP's share of the popular vote in the Lower House rose from 45.72 per cent in 1983 to 49.42 per cent, its best performance since 1963.

The Socialist Party was devastated, dropping to 85 seats, its lowest ever, from 112; its chairman, Mr Masashi Ishibashi, hinted at resignation. The Democratic Socialists of the centre fell to 26 seats from 38. Only the best organised smaller parties, the Buddhist Komeito and the Japan Communist Party, held up reasonably well, with 56 seats for Komeito (59 before dissolution) and an unchanged 26 for the Communists.

The opposition parties had not helped their causes by running lacklustre campaigns. But the election also proved the general point that in times of potential troubla even more than in prosperity the Japanese public turns to the LDP.

Mr Nakasone had promised in the campaigo and reiterated yesterday thet there would be no new indirect taxes of consequence and no tinkering with tax except savings. There will also be a Y3,000bn ($18bn) supplementary budget when parliament reconvenes in the autumn. The public seemed to find these policy pledges reassuring, and possibly effective as remedies against the depredations of the higher yen.

Among election sidelights, the only blot on Mr Nakasone's day was that he again failed to outscore Mr Takeo Fukuda, the former Prime

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Editorial comment, Page 16; Voice of Japan, Page 17

JAPAN LOWER HOUSE RESULTS (including ruling party factions)

		1986		1983
Liberal Democrats		300		250
Tanaka	84		65	
Nakasone	59		47	
Suzuki	58		51	
Fukuda	55		46	
Komoto	28		27	
unaffiliated	18		14	
Socialists		85		112
Komeito		56		58
Dem. Socialists		26		38
Communists		26		26
New Lib. Club		6		8
Soc. Dem. Fed.		4		3
Independents		9		16
Total		512*		511

*One seat added in reapportionment.

Yen surges against $

BY CARLA RAPOPORT IN TOKYO, STEWART FLEMING IN WASHINGTON AND GEORGE GRAHAM IN LONDON

THE DOLLAR dropped to a new post-war low against the yen in Tokyo yesterday, breaking through the Y160 barrier to Y158.9, before edging up again in European trading.

Prime Minister Yasuhiro Nakasone called the yen's surge a "temporary phenomenon" caused by his party's landslide victory in Sunday's parliamentary elections. Mr Nakasone added that party leaders were now studying how to stabilise the yen in the long term.

Tokyo currency traders, however, disagreed with Mr Nakasone's view and yesterday expected the dollar to fall this week to Y155 or even Y150. They also anticipated a further cut in Japan's official discount rate.

Mr Nakasone's comments raised expectations on Wall Street that the US Federal Reserve Board will also act soon to encourage further declines in interest rates by cutting its discount rate from the current level of 6.5 per cent.

The Fed's monetary policymaking Open Market Committee holds its important mid-year meeting today and tomorrow amid intensifying pressure to act to stimulate the sluggish economy, despite the renewed weakness of the dollar.

Recent statistical data have led most private economists to expect that US gross national product growth in the second quarter will turn out to be weaker than the 2.9 per cent recorded in the first quarter. More important from the Fed's point of view is the absence of convincing evidence that the upturn that it and the Reagan Administration have been expecting for the second half year is materialising.

The doubts about the medium-term outlook have been heightened by the sharp fall last month in the economic index prepared by the National Association of Purchasing Managers.

The index, which is widely followed as a valuable guide to the economic outlook in the industrial sector, dropped dramatically from 54.4 per cent to 49.6 per cent in June.

The report, which is based on a survey of purchasing managers in 250 industrial companies, showed new orders at their lowest level since December, sharp falls to production and a speed-up in deliveries. For the first time in 19 months more managers reported higher rather than lower prices.

The yen staged its rise yesterday despite active intervention by the Bank of Japan. Although the bank bought dollars at around Y159.5, it could not prevent the US currency falling further to close in Tokyo at Y159.25.

The dollar strengthened in thin trading in London, however, and closed ¼ yen higher than on Friday at Y160.75. Against the D-Mark it gained 0.8 pfennig to DM 2.1835.

On Wall Street share prices dropped sharply in early trading and by noon the Dow Jones Industrial Average was 31.63 points lower at 1,869.24. Traders said they had expected some reaction after last week's record-breaking performance, but there were also signs of anxiety over the disappointing outlook for corporate profits.

Mr John Mendelson, head of stock market analysis at Dean Witter Reynolds and a self-proclaimed bull on equities over the last two years, contributed to yesterday's early fall in share prices by announcing that he had turned bearish and was expecting a 15-20 per cent decline in share prices over the next few months.

Lex, Page 18; Money markets, Page 37

More time likely for Lloyds' bid

BY DAVID LASCELLES, BANKING CORRESPONDENT, IN LONDON

LLOYDS BANK is likely to get more time from the City of London's self-regulatory Takeover Panel to complete its record £1.3bn ($1.99bn) bid for the Standard Chartered Bank, provided it meets certain conditions.

This emerged last night after the Panel met to consider delays to the Lloyds bid due to its need to comply with the regulatory process on bank acquisitions in the US. Mr David Horne, the executive director of Lloyds Merchant Bank, welcomed the decision, saying it would give Standard shareholders the chance to vote on the offer.

The full Panel was convened after Schroders, the merchant bank acting for Standard, appealed against a decision of the Panel's executive officers to defer a ruling until the outcome of the bid was clear next weekend. Schroders argued that Lloyds would be technically unable to close the deal, creating a false market in Standard shares.

After a 2½-hour meeting, the full Panel supported the executive's decision to defer judgment. But in a significant rider to its ruling, the Panel added that it might grant Lloyds an extension if enough Standard shareholders accepted its offer – and if evidence could be produced that the US regulatory authorities were close to giving the go-ahead.

This unusual indication of the Panel'a likely view was given because its members wanted to remove some of the uncertainty surrounding the bid. Any extension would be unprecedented.

Lloyds' offer closes on Saturday. If it receives a majority of the votes it will then make a formal application to the Panel for an extension of the August 2 deadline by which it must, under the Takeover Code, make its offer wholly unconditional. The extension is likely to be about two weeks.

Mr Nicholas Jones, the director of Schroders who put Standard's case to the Panel, said he was "disappointed" by the decision

Lloyds problem arises because Standard Chartered owns Union Bank, one of the largest banks in California, and change of ownership must be approved in advance. The US regulatory process takes considerably longer than the 81 days within which a UK bidder must close a deal under the Takeover Code.

Paris and NZ settle Rainbow Warrior dispute

By David Housego in Paris and Dai Hayward in Wellington

TWO FRENCH intelligence agents imprisoned in New Zealand for their part in the blowing up of the Greenpeace ship Rainbow Warrior are to be transferred to a French military base in the South Pacific under an agreement approved yesterday by the French and New Zealand Governments.

The agreement was negotiated by Mr Javier Perez de Cuellar, Secretary-General of the United Nations, who was called in by both sides to mediate in a dispute thet was threatening to embitter further relations between the two countries.

The major concession thet New Zealand has won for allowing their transfer is France's dropping of all restrictions on imports from New Zealand and a commitment not to obstruct New Zealand butter and lamb exports into the EEC.

France had threatened New Zealand privately thet it would veto adoption by the EEC of s new butter quota for New Zealand of up to 77,000 tonnes for next year, due to be approved by the end of this month. New Zealand's total exports of butter amount to 177,000 tonnes a year.

The French Government also agreed to write a "letter of apology" to the New Zealand Government and to pay $7m in damages. This represents a compromise between the $9m demanded by the New Zealand Government and the $4m offered by France.

Mr Jacques Chirac, the French Prime Minister, and Mr David Lange, the New Zealand Premier, both expressed their satisfaction yesterday with the agreement thet brings to an end almost a year of police enquiries and diplomatic tussle following the sinking of the Greenpeace vessel in Auckland harbour on July 10 last year.

After initially denying that the French Government was responsible, Mr Laurent Fabius, then Prime Minister, conceded in September that agents from the foreign intelligence services (the DGSE), acting "under orders," had blown up the ship.

It remains to be seen, however, whether the agreement will bury political controversy in France over the affair, which forced the resignation of the Mr Charles Hernu, the former Defence Minister, and at one time was dubbed by the press as a French "Watergate."

Under the terms negotiated by Mr de Cuellar, Major Alain Hafart

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Background, Page 3; butter deal, Page 36

Howe puts off his visit to South Africa

BY ROBERT MAUTHNER AND PETER RIDDELL IN LONDON AND MICHAEL HOLMAN IN LUSAKA

SIR GEOFFREY HOWE, the Foreign Secretary, has postponed the first leg of his EEC peace mission to South Africa after President P. W. Botha had informed him that a proposed meeting with him this week would be "inconvenient."

The Foreign Secretary will, however, go ahead with his planned visits to Zambis and Zimbabwe, while the search for alternative dates for a meeting with President P. W. Botha and his Foreign Minister, Mr R. F. "Pik" Botha, continues.

President Botha's refusal to see Sir Geoffrey this week – the South African President is said to be on holiday on a farm – is undoubtedly a big setback for Sir Geoffrey's efforts to lay the foundations of a dialogue between the Pretoria government and the country's black leaders.

It has not, however, scuttled the mission which Sir Geoffrey is undertaking on behalf of the 12 member countries of the European Community. The UK Foreign Office said yesterday thet the South African Government had made it clear that they were willing to meet Sir Geoffrey and had proposed alternative dates at the end of this month.

Since the Foreign Secretary was, in any case, planning to make a sennd visit to Southern Africa in the last week of July, it can be assumed thet it will be during that trip that be will meet President Botha.

During exchanges in the House of Commons yesterday, Sir Geoffrey denied there bad been any snub by the Pretoria Government since the principle of a meeting with President Botha bad been accepted.

The publicity, however, over the delay is clearly embarrassing for the British Government in view of the already fragile state of the mission. Downing Street officials later refused to comment on reports that Mrs Margaret Thatcher, the Prime Minister, had personally cabled the South African President, urging him to receive Sir Geoffrey. But they admitted that there had been considerable behind-the-scenes diplomatic activity over the weekend.

Sir Geoffrey received support from all sections of the Conservative Party for his mission which has led, for the time being, to a suspension of the party's internal arguments about sanctions against South Africa.

Tory MPs turned their fire with relief on Mr Denis Healey, the Labour Party's foreign affairs spokes-

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Church of England decision, Page 12

Montedison will take control of Fermenta

BY ALAN FRIEDMAN IN MILAN AND JOHN BURTON IN STOCKHOLM

MONTEDISON, the Italian chemicals, pharmaceuticals and services group, is to take control of Fermenta, the Swedish pharmaceuticals and biotechnology company, in a deal possibly worth about SKr 3bn ($425m).

Under a preliminary agreement announced yesterday, Mr Refaat El-Sayed, the Fermenta chief executive, is to sell his entire shareholdings to Montedison. Mr El-Sayed owns 80 per cent of the Fermenta votes and 43 per cent of the company's equity. The planned deal is understood to be one of the largest overseas acquisitions by an Italian company, easily outstripping the recent $267m takeover of Triumph-Adler of West Germany by Olivetti.

It also marks the end of a tempestuous era at Fermenta, which started when Mr El-Sayed ran into trouble with the Swedish bourse authorities for faking his academic credentials and alleged insider trading. He is to continue as a consultant for the present.

For the Milan-based Montedison, the Fermenta deal is a key step in its strategy of expanding activities in the pharmaceuticals and related areas. Mr Mario Schimberni, Montedison chairman, said recently he wants to raise by 1991 the amount of turnover derived from pharmaceuticals from its current level of 10 per cent to 30 per cent of the group's total. Mr Schimberni also wants to change Montedison's geographical mix so as to make it less dependent on Italy.

Mr Schimberni is following a policy of reducing Montedison's involvement in the base chemicals sector, increasing in pharmaceuticals and diversifying into financial services and the selling of these via

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CONTENTS

Waldheim ushers in new era for apprehensive Austria

Protests will attend the President's inauguration, writes Patrick Blum

THE INAUGURATION of Dr Kurt Waldheim, the former United Nations Secretary-General, as Austria's President today opens a new era for the country, with apprehension among many Austrians about their nation's future direction and image.

Two facts symbolise the break with the past: Dr Waldheim was elected against the wishes of the Socialist party, and his inauguration will be accompanied by protests — a first in both cases in Austria's post-war history.

While Dr Waldheim will be taking oath in a short parliamentary ceremony, two small groups of protesters will seek to make their separate voices heard not far away by calling on him to resign and on Austrians to remember the Nazi Holocaust. They are unlikely to have much impact on the public but their protest is important symbolically highlighting the deep sense of unease that has followed Dr Waldheim's sweeping victory in last month's presidential election.

That victory ended a controversial campaign dominated by allegations that Dr Waldheim was implicated in Nazi atrocities in the Balkans. He has denied the allegations and expressed the hope that the controversy would subside after the election. This appears increasingly unlikely.
international inquiries there

So far, and despite intense international inquiries, there has been no conclusive evidence that he was involved directly in war crimes committed in the Balkans by the German army in which he was an officer. Never the less, his handling of the controversy and his reluctance to give details of his wartime past have aroused suspicion and disquiet internationally and convinced many that he has been a good deal less than candid about his activities at the time.


Dr Waldheim, pictured at an election rally, will be sworn in as President today

His resounding election victory has also convinced many critics that the Austrians have not and will not come to terms with their past without continued pressure and campaigning. Hence the two protests.

The first group, made up of non-Austrians including a rabbi and a Catholic nun, is holding a "vigil of conscience." They do not believe Dr Waldheim's denials and want him to resign to face an international panel of Holocaust survivors. The second group, comprising Austrian artists and intellectuals, share the same suspicions but its objective is to create a new awareness of the past in Austria. It hopes to organise a conference in the autumn to which some of Austria's better known pre-war exiles will be invited.

The consequences of Dr Waldheim's victory are still unfolding. On the domestic front there has been a shift to the right, confirming widespread disenchantment with the Socialists who have been in government for 16 years.

The election campaign also saw a revival of anti-Semitism and nationalism, both fuelled by the way Dr Waldheim and his supporters in the conservative People's Party chose to respond to the allegations made mainly by the World Jewish Congress.

They used the controversy to maximum advantage to drum up support. People's Party leaders denounced the World Jewish Congress and what they described as foreign interference in Austria's internal affairs in language that shocked and surprised by its virulence and apparent insensitivity.

That a leading People's Party politician and a provincial governor could ape the Nazi slogan with a shout of "Oesterreich ueber alles" (Austria above All) at the end of a speech during a big rally without the disapproval of Dr Waldheim or of other conservative leaders, horrified Austria's small Jewish community and those remembering the 1930s. For victims of the Nazis, whether Jewish or not, the remark was deeply insulting.

Dr Waldheim spoke against anti-Semitism but his comments made little impact on his domestic audiences. At no time during the campaign did he disown the more extreme statements of his supporters, thereby laying himself open to charges of opportunism. His strongest words against anti-Semitism came only after he had won the election, and even then his simultaneous assertion that anti-Semitism had never played a role in the campaign stunned local Jewish leaders who had received hundreds of threatening letters in the preceding month.

Mr Simon Wiesenthal, the veteran Nazi hunter, best expressed local Jewish concerns when he described the Jewish community as the real loser in the election.

Now that the election is over, most Austrians would like to forget the controversy or, in the words of some politicians, to "get back to normal." There are indications that this will not happen.

Investigations are still under way in the US, Britain and Israel to establish whether there is a case for action against Dr Waldheim. There have been calls for him to be denied entry to several countries, or at least not to be invited. Jewish groups have said they will keep up their campaign against him and he can expect protest during trips abroad.

What effect this will have in Austria itself is debatable. It may well reinforce feelings that foreigners are out to have a go to Austria. Certainly, the controversy has damaged Austria's international reputation. The Government is trying hard to refurbish the country's image abroad but its success will depend to a large extent on Dr Waldheim's own actions.

Dr Waldheim's problem is that his own supporters within the People's Party may not agree with such caution. Leaders of the party have continued to rail against the World Jewish Congress and foreign interference since the election. It is feared here, especially by Jews, that the appeal to nationalist sentiments will be repeated in the general election due by next April.

None of this will help those wanting a clear and open examination of the past. The Government is seeking to promote a greater awareness of the past, but it will not be easy. There is widespread apathy about events which many prefer to forget. A small exhibition in the departure hall of Vienna's main railway station, with photographs depicting the burning of books, showing pictures and giving the names of many of those forced into exile, attracts hardly any attention from passers-by.

The physical removal of Austria's intellectual elite in the pre-war period has left the country culturally impoverished, dependent on worn-out cliches and conventionally safe art.

What has been lost in the arts, medicine or science cannot be recaptured but it is remarkable that Austrians themselves have until recently displayed so little interest in what would be considered elsewhere a cause for pride. It is as if history stopped with the Hapsburgs and culture with Mozart.

The World Jewish Congress yesterday produced a newly-discovered Nazi document stating that Dr Waldheim's wartime *intelligence unit* ordered 2,500 Greek Jews deported to Auschwitz, Reuter reports from Jerusalem.

"Waldheim was second-in-command of the intelligence unit which issued the deportation orders to the SS. He was there at the time, so there is no way he cannot have been aware of what was happening," a Congress official said.

However, one of Dr Waldheim's aides said in Vienna that the Congress was trying to pass off stale information as new. "This is an old paper which was presented some time ago," h esaid. "It lacks all proof of veracity and any basis for suspicion or accusations."

Striking nurses challenge Israeli policy on wages

BY ANDREW WHITLEY IN JERUSALEM

ISRAELI NURSES abandoned casualty wards and emergency rooms yesterday in an escalation of their three-week-old strike. Their action poses a severe challenge to the Government's efforts to freeze public sector wages for a further 12 months, not to mention considerable hardship to patients and their relatives.

There is no sign of a breakthrough in the nurses' demands for better conditions and a wage agreement separate from that being negotiated for the rest of the public sector.

In an acrimonious argument over real take-home pay, echoing familiar disputes within Britain's National Health Service, Government officials have produced statistics claiming to show that qualified nurses are among the better paid groups in Israel, earning almost as much as Cabinet ministers.

Not surprisingly, the nurses' representatives reject these figures out of hand, saying that typical take-home pay is around Shkels 400 (£175) a month, less than the average wage.

In spite of the powerful emotions raised by images of striking nurses and empty hospital beds, the National Unity Government is standing firm. It argues that to give in to the nurses could open the floodgates to dozens of other pleas for special treatment during the coming annual wage round.

With a comprehensive system of inflation indexation and automatic cost-of-living wage adjustments still in place, the economic authorities are convinced that fresh wage rises at this stage of the year-old economic recovery programme could refuel inflation and undo the plan's main achievement.

Inflation is currently running at an annual level of 21 per cent, compared with 450 per cent rate for the first half of 1985, just before the launch of the emergency plan last July.

The danger signs are already gathering from other directions. Economists are concerned that the current relatively high level of consumer demand alone could, if unchecked, double the monthly inflation rate by the end of the year.

Talks on wages and conditions for the 40 per cent of the country's labour force employed in the public sector opened recently between the government and the Histadrut, the trade union federation.

According to Mr Amnon Neubach, the Prime Minister's economic adviser, the Government is seeking a year of wage stability after the cut workers were forced to take in the second half of 1985. Wage levels subsequently recovered and are now back to where they stood before the cut.

● Mr Yitzhak Shamir, the Israeli Foreign Minister, assured Mr Gary Hart, the US senator, yesterday that Israel's approach to Middle East peace would not change when he takes over as Prime Minister later this year, Israeli officials said, Reuter reports from Jerusalem.

Their 40-minute meeting touched on Israel's attempts to improve relations with Egypt and open a dialogue with Jordan, and Israel's problems with Syria.

Ariane rocket sabotage 'unlikely'

By David Marsh in Paris

THE FRENCH national space agency (CNES) believes that sabotage was unlikely to have been the cause of the Ariane rocket's crash in May although it is not ruling out the possibility altogether.

Mr Fréderic d'Allest, the CNES director general, said at a press conference to present the official inquiry report on the accident that he thought sabotage was only a "slight possibility."

The failure of the French-led Ariane rocket, developed by the 11-nation European Space Agency (ESA), followed mishaps earlier this spring which destroyed two American unmanned rockets. This came after the catastrophe in January when the US space shuttle Challenger blew up killing all seven crew members.

Mr d'Allest confirmed that further tests to be carried out on Ariane in line with the board of inquiry's recommendations would rule out any rocket flights until next year.

Mr d'Allest and Prof Reimar Luest, director general of ESA, were questioned at the press conference on a report in the Los Angeles Times at the weekend which said the French secret service had concluded that sabotage might have caused the May accident.

Investigators were said to be examining the possibility of a link between the mishap and the rocket failures in the US.

This year's string of space failures has robbed the West of rocket launching capability.

Among the possible background factors being examined by Western intelligence experts are the defection to Moscow in 1983 of a US air force officer specialising in remote control destruction techniques for space vehicles.

Von Galen jailed in SMH case

BY DAVID BROWN IN FRANKFURT

COUNT Ferdinand von Galen, the former managing partner of Schroeder, Muenchmeyer Hengst (SMH), was sentenced to three years and nine months in prison by a Frankfurt court yesterday for his role in the bank's near-collapse. The sentence brings to a close a sensational case set in train by one of the worst financial debacles in West Germany since the War.

Count von Galen (50) was the autocratic head of SMH in the period leading up to its near failure in late 1983—when the bank was found to be dangerously over-exposed to the now-bankrupt IBH b uilding machinery group.

Before it ran into difficulties, SMH was one of the country's best-known and most influential private banks. One result of its unexpected difficulties was the hastening of moves to tighten the credit law.

SMH itself was rescued at a cost of some DM 700m (£207m) by a consortium of West German banks. Lloyds Bank of the UK then bought the healthy parts of the old SMH, forming a new operation under the same name which has since shown strong results.

Count Von Galen was sentenced yesterday for breach of trust: an earlier charge of fraud was dropped last week. The prosecution said Count von Galen had made loans of DM 1bn to IBH in early 1983 despite being aware of the company's problems and against the advice of bank officials.

A former president of the stock exchange and a leading socialite, he was arrested on a Frankfurt street in December 1984. He spent 15 months in investigative custody in the notorious Preungesheim maximum security prison before winning bail on a second attempt

More East Germans visit West

BY LESLIE COLITT IN BERLIN

MORE YOUNGER East Germans were allowed to visit relatives in West Germany in the first five months of this year than at any similar period since the Berlin Wall was built nearly 25 years ago—and only a few of them failed to return home.

The easing of travel restrictions resulted in 65,000 East Germans below retirement age crossing the border between January and May compared with 26,000 in the same period last year. In the first six months, 11,500 East Germans were allowed to emigrate to the West against 6,700 a year earlier.

The virtual ban on travel to the West except for pensioners has long been the most severely criticised aspect of life in East Germany. Last year, however, President Erich Honecker told Mr Willy Brandt, chairman of the West German Social Democrats, that it had been decided to permit more citizens to visit their West German relatives under the Urgent Visiting Agreement between the two countries. This provides for visits at births, deaths, special birthdays and anniversaries among families in West Germany.

In practice the East German authorities are allowing people to visit even cousins and friends in West Germany. This has led to a flood of applications from East Germans.

Possible Dassault successor

BY OUR PARIS STAFF

A SOLUTION appears to be in sight towards resolving the problem of finding a new chairman at Dassault-Breguet, the French state-controlled military aircraft builder.

Although the final decision has not been taken, Mr Jacques Benichou, present chairman of Snecma, the nationalised aero-engine company, is being tipped in Paris as a possible successor to Mr Benno-Claude Vallières, the present Dassault chairman, whose mandate expires at the end of October.

Dassault-Breguet made profits of FFr 459m ($66.5m) last year on sales of FFr 16.4bn. It is facing a period of uncertainty over its future management as a result of the death in April of Mr Marcel Dassault, its founder and former chief shareholder, and efforts by the Dassault family to lower the level of participation held by the state.

News about the possible nomination of Mr Benichou has surfaced just a few days after the successful first flight on Friday of Dassault's new Rafale fighter aircraft prototype at Istres in the south of France.

The Rafale, which flew six months ahead of the initial schedule laid down with the French Defence Ministry, is intended to lay the basis for France's new, advanced combat fighter aircraft scheduled to enter service after 1995-96.

Mr Benichou, 64, has headed Snecma since 1982 but would be forced to stand down next year on reaching the statutory retirement age of 65 at nationalised companies. Mr Vallières, who will be 76 later this month, is a long-time associate of the late Mr Dassault.

US nuclear test team in Kazakhstan

By Patrick Cockburn in Moscow

A TEAM of US scientists is setting up monitoring equipment this week in the region of the main Soviet underground nuclear test site in Central Asia in an attempt to show that a nuclear test ban can be verified.

It will establish three monitoring stations in Kazakhstan, 200 kilometres west of the principle test site. Two stations will be automatic, the third will be manned permanently by two US scientists.

The Karkaralinsk area in which they will be based is normally off-limits to foreigners. The Soviet Union's agreement to allow scientists from the New York Environmental Group of the National Resources Defence Council to monitor the test site is clearly an effort to impress US and foreign opinion that it is prepared to offer on-site verification of a test ban.

The Soviet Union is observing its own nuclear test ban until August 6, but President Ronald Reagan has ruled out the US following suit on the grounds that tests are necessary for US defence and are difficult to monitor.

French police killing draws criticisms

WITH A VOTE set this week on its get-tough law and order programme, the French Government was under fire yesterday for the weekend police shooting in central Paris of a fleeing motorist, Reuter reports from Paris.

Riot policeman Gilles Burgos, 29, was charged on Sunday with manslaughter after he killed Mr Loic Lefebvre, 28, with two shots as he fled from the scene of a head-on collision late on Friday night.

Police say Burgos fired in legitimate defence, but several witnesses said the policeman used unnecessary violence, and one said he shot the motorist in cold blood.

The incident, and police attempts to justify it by accusations of a police record for Mr Lefebvre, have brought forth angry denunciations from the left and criticism from the right. Mr Lefebvre's "record" was for traffic offences.

One newspaper yesterday predicted a "hot summer" for Mr Charles Pasqua, Interior Minister. Another spoke of the "dirty hands" of the riot police.

Mr Gerard Boulanger, president of the French Lawyers' Union, said that, instead of "terrorising the terrorists" as the right-wing Government pledged to do with its law and order crackdown, "Pasqua's police are headed towards terrorising the citizen."

The right-wing Le Quotidien newspaper, which supports the Government, suggested that Burgos may have read of the recent shooting of a policeman by holdup men and therefore had his finger on the trigger of his gun.

The Government has sharply increased police patrols and identity checks in major cities, but critics say the actions have led to police brutality and blunders instead of increased efficiency.

Mitterrand arrives for talks with Gorbachev

President Francois Mitterrand of France arrived in Moscow yesterday at the start of a four-day visit during which he will have three sessions of talks with Mr Mikhail Gorbachev, the Soviet leader, writes Patrick Cockburn.

The Soviet side is interested in persuading West European leaders such as Mr Mitterrand to exert influence on Washington to agree some measure of arms control in order to get a summit meeting between President Ronald Reagan and Mr Gorbachev off the ground before the end of the year.

M Mitterrand has come to Moscow after talks with Mr Reagan in New York last Friday. His visit returns a trip to Paris by Mr Gorbachev last October and confirms the resumption of regular Franco-Soviet summits, broken off in 1981.

Italy takes to milk

Wine is giving way to milk as Italy's most popular beverage, according to the national consumers' union, Reuter reports from Rome. Per capita consumption of wine fell from an average 79.2 liters in 1984 to 73.2 litres last year, whereas milk has held steady at 76.8 litres per person.

Norway dries up

Norwegian alcohol supplies dried up yesterday as 900 workers in the state wine and liquor monopoly went on strike for more pay, Reuter reports from Oslo. Staff in the 94 state liquor shops, the sole source of wine and spirits, have rejected a 10.2 per cent pay offer.

Athens security check

A US congressional team arrived in Athens yesterday to discuss anti-terrorism measures and inspect security at Athens airport, Reuter reports. The number of US tourists visiting Greece this year is expected to drop by half following security fears caused by two hijackings of flights from Athens last year and other incidents in the region.

Arrest for bribery

A former transport minister in the Soviet republic of Kazakhstan has been arrested for bribery and many officials in his department charged with theft, the Communist party daily Pravda said yesterday, Reuter reports from Moscow. It gave a scathing account of mismanagement in the republic, focusing on the construction and transport sectors and agriculture. Bureaucracy and violations of discipline were still rife, it said.

Denktash ultimatum

Turkish-Cypriot leader Rauf Denktash said yesterday that the UN would have to deal separately with his breakaway republic if UN troops were to resume free movement across the divided island, Reuter reports from Nicosia. Mr Denktash sealed the "Green Line" crossings last Friday.

Kuwait may opt for a non-elected council

BY KATHY EVANS

PROPOSALS are emerging in Kuwait for the formation of a Majlis Ashura or consultative council to replace the elected parliament which the Emir, Sheikh Jaber al Ahmed al Sabah, dissolved last week.

The proposal is still in its formative stage, but sources within the conservative faction of the suspended National Assembly say they intend to put the idea formally to the ruling authorities.

The plan appears to have been well received, for hints of the suggestion have now appeared in one of the Kuwait dailies, al Rai al Aam. All newspapers in Kuwait are now subject to rigorous nightly censorship by the state Information Ministry.

A Majlis Ashura would have no legislative powers or veto. It would consist of personalities nominated by the Emir.

Such a move would be welcomed by nearby countries such as Saudi Arabia, which has long been considering a similar body. King Fahd, the Saudi monarch, promised to establish such a council shortly after he came to power, and a building has been specially constructed for the purpose in Riyadh.

Conservative ex-MPs argue that a Majlis Ashura would fill the void between the Sabah governing elite and the people. It could also be supplemented by the formation of nominated councils for each governerate in Kuwait.

Members of the business community say the idea could prove attractive to some of Kuwait's "old money families," some of whom may be reluctant to join the new government following the dissolution of Parliament.

A senior official in the cabinet which resigned last week said that Kuwait's democratic experience had "repulsed" other Gulf rulers from doing anything along similar lines. "Our parliament was making it more difficult for them to go ahead with their own Majlis Ashura. If something more reasonable emerged in Kuwait, then they might be encouraged," he said.

Many Kuwaitis still seemed to be in a state of shock over the Emir's decision, but appeared resigned to a lengthy suspension of democracy—longer than the four years which marked the last suspension in 1976.

Opposition groups from the dissolved Parliament are now co-ordinating their strategies to register their demand for a renewal of democracy and adherence to the 1961 constitution, which guaranteed freedom of speech and elections. These talks are bringing together the country's Islamic groups with the National Democratic Group led by Dr. Ahmed Khatieb.


Sheikh Jaber—may be happy with an appointed council

Some Kuwaitis, particularly those in the business community, have welcomed the Emir's decision, and point to the surge on the local stock market as evidence of the return of national confidence.

Others however see the decision as a major step backwards. One ex-MP educated at Harvard, Dr Ahmed Rubai'e commented sarcastically: "Now we are really part of the Gulf Co-operation Council . . . but time is with us, not with the government." Opposition groups believe the people will soon realise that the suspension of Parliament will not lead to a radical upsurge in economic fortunes, as is hoped.

The formation of a Majlis Ashura would herald major changes in the way Kuwait is governed, and could meet with widespread opposition at home. "After 25 years of a free press and democratic elections, it is too late to ask the Kuwaitis to return to medieval life," said Dr Rubai'e.

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OVERSEAS NEWS

David Housego in Paris and **Dai Hayward** in Wellington on the outcome of the Greenpeace affair

Crude tactics win the day for the French

IT IS a sign of the importance that French public opinion ettaches to the effective freeing of the two French agents imprisoned in New Zealand that Mr Jacques Chirac, the Prime Minister, should have decided bimself to come to the front steps of his official residence, the Matignon, yesterday morning, to confirm the good news.

He did so after seeing President Mitterrand off on his visit to Moscow — thus in political terms underlining the message that if the Socialists were responsible for the hungling that led to their arrest, the right could claim the credit for their release.

In foreign policy Mr Chirac had few objectives wban he took office in March. But one was the freeing of Major Alain Mafart and Captain Dominique Prieur, the foreign intelligence agents sentenced to 10 years for their part in the hlowing up of the Greenpeace boat, the Rainbow Warrior, in New Zealand almost a year ago on July 10. The other objective was the release of the nine Frencb hostages held prisoner in the Lebanon.

As of yesterday morning Mr Chirac could claim be had echieved one of his goals. The other also seems on the way to being realised with two of the hostages now back on French soil.

French public opinion never understood how New Zealand —a member of the western alliance—could continue to hold two French officers convicted for carrying out their duty in safeguarding France's nuclear deterrent.

A flavonr of this indignation came across in the final paragraphs of a report in *Le Monde* yesterday. It said that the Rainbow Warrior affair had brought homa to the French that New Zealand was not inhabited by the British but "by provincial puritans, country folk, as certain that they are in the right as they are touchy over their principles."

French tactics in bringing New Zealanders to their senses were crude and illegal, centering on curbs on New Zealand imports into France.

It remains now to be seen whether with the two agents back on French soil, the Greenpeace case will be re-opened.

Though the immediate cause of conflict with New Zealand is now out of the way, relations between the two countries are likely to remain difficult.

Mr Jacqnes Chirac . . . what was left of the Rainbow Warrior . . . and Mr David Lange

The issue was butter, never mind the guns

THE TWO Frencb agents jailed by New Zealand for bombing the Greenpeace flagship owa their effective release to butter. More correctly to the future access and level of NZ butter exports to Britain and the EEC —a vital ingredient in the country'e economy.

The amount of butter NZ will be allowed to ship to the EEC in the next two years, will be dacided by Community ministers in the next few months during Britain'e presidency of the EEC council.

French officials bad threetened to insist on a severely reduced quota. If NZ has to find an alternative market for even 1,000 tonnes of the 75,000 tonnes it wants to send to Europe it would seriously depress world prices.

There are no alternative markets and any exports lost to Europe would have to be sold at give-away prices to other markets in competition with subsidised EEC butter.

The average net income for NZ farms this season will be only NZ$ 14,000, a drop of more than 50 per cent on last year's average income and the lowest in 25 years. Tbe Labour Government is already facing severe problems and strong criticism from the farming sector. Any further blows to farm exports and farmers incomes would be economically disastrous and politically shattering to the Government'e future.

French officials obviously knew this and used its position to put heavy pressure on New Zealand's Government. As e taste of wbat It could do, it imposed trade bans and restrictions on various food exports including lambs brains, fish and kiwi fruit. Customs officials bolding up some Kiwi fruit shipments individually examined every single fruit. There was always an implied threat that more severe action would be taken against other NZ exports sucb as lamb.

Mr David Lange, the Prime Minister, was thus caugbt in something of a political dilemma. Public opinion polls showed more than 80 per cent of the NZ public believed the French agents should serve a substantial term in prison, before being considered for parole. Indeed 50 per cent believe they should serve their full 10 years and as terrorists receive no parole et all.

He had stood up to pressure from the US Government over the ban on nuclear ahip visits, and many New Zealanders consider the action of the French blowing up a ship in an allied port, was a mucb more serious issue.

Mr Lange has said repeatedly the agents would not be released to freedom, nor to any form of custody in metropolitan France. He and his Cabinet colleagues are bowever professional politicians. They reelised the politicel position of the French Prime Minister and his Minisetrs end were aware also of the realities and potential cost of continued French antagonism towards NZ exports.

Ever since the secret talks with France over the future of the agents began more than four months ago the only real issue in doubt was where the two agents sbould go and when.

Manila rebel in talks with Government

BY SAMUEL SENOREN IN MANILA

THE ARMED revolt against President Corazon Aquino of the Philippines by supporters of the man she deposed, Mr Ferdinand Marcos, fizzled out last night just 24 hours after it had begun.

Mr Arturo Tolentino, the former running mete of former President Marcos, left the refuge of the Manila Hotel for talks with Government officials.

Earlier in the day about 200 armed soldiers loyal to Mr Marcos surrendered to the Government after troops backed by tanks and armoured personnel carriers surrounded the luxury central botel, wbere Mr Tolentino had set up his rebel regime.

The rebellion collepsed e few bonrs after Mrs Aquino set a 24-bour deadline for Mr Toleotino to give up what she called his "desperate attempt" to challenge the Government.

Mrs Aquino said the revolt bad been instigated by Mr Marcos from his exile inHawai. Mr Marcos has denied this.

Mrs Aquino must now decide whether to proceed with sedition charges against Mr Tolentino and his backers wbo include several serving generals.

She must also gauge the extent of the support enjoyed by Mr Marcos and move swiftly to reassert her Government's authority.

Although the rebellion by Mr Tolentino represented no real threat to Mrs Aquino's administration, it reinforced the impression that her Government'e hold on power remeins tenuous.

The incident is bound to lead to a thorougb review of the armed forces, which remain deeply ambivalent towards Mrs Aquino and her decision to negotiate with the country's Communist rebels in particular.

Mr Tolentino, 75, who installed himself Acting President of a "Constitutional Government" and his followers, including about a hundred renegade soldiers, barricaded the hotel building yesterday after ebout 300 troops wbo had joined him earlier yielded to Government forces.

"I want to reassure the public that the situation is fully under control end we can all go ebout our usual business," Mrs Aquino said in a statement issued by the Presidential Palace.

She warned, however, that another sucb escapade would not be allowed to bappen again, adding that she would be more firm in dealing with activities of persons loyel to Mr Marcos.

Australian deficit hits A$ 5.7bn

BY EMILIA TAGAZA IN CANBERRA

THE AUSTRALIAN Government's budget deficit in the 1985-86 fiscal year reached A$5.74bn (£2.5bn), overshooting the target of A$825m—more than sevenfold.

The deficit, which the Government said is merely e preliminary estimate, represents 2.5 per cent of current estimates of the country's gross domestic product, compsred with 3.2 per cent in 1984-85. The final outcome for 1985-6 is widely expected to represent e higher proportion of GDP.

Senator Peter Walsh, the Minister for Finance, said yesterday the reason for the high deficit was mainly the depreciation of the Australian dollar, which boosted prices of government projects, especially in defence, and increased interest expenses on the country'a public foreign debt.

The budget deficit increases the pressure on Mr Bob Hawke, the Prime Minister, to win full Australian Labor Party backing for his stiff austerity programme et the party'e ongoing biennial conference.

The main issue et the five-day conference, the ALP's most important policy-making meeting, is the wages eccord between trade unions and the Hawke Government, which has so far hleped moderate wage rises in Australia. Its fate is expected to be determined et the conference.

The worsening current eccount deficit and last week's plunge of the Australian dollar have also placed greater urgency on the need for wage restraint.

Mr Hawke and Mr Paul Keeting, the Federal Treasurer, will try to extract further wage concessions from representatives of the trade unions. The party's left wing and the Australian Council of Trade Unions are said to oppose the request.

Under the wages accord currently in operation, salaries ere reviewed twice e year and are adjusted fully for inflation. The 2.3 per cent wage rise granted last month also took into eccount the depreciation in the currency.

Taiwan moves to allay fears over Du Pont plant

BY BOB KING IN TAIPEI

TOP OFFICIALS of the Taiwan Government say they will not permit Du Pont, the US chemical and energy company, to begin construction of e chemical plant in central Taiwan until the project meets government standards end until local residents are convinced it will not pollute the environment.

The proposed plant bas been the canse of rising protests and demonstrations by residents of Lukang, an agriculturel community and the site of hundreds of historical and cultural landmarks.

The residents are concerned that the plant, which is to produce titanlum dioxide, an industrial pigmant also used to make white rubber and certain plastics, may pollute a relatively unspoiled rural countryside.

At a cabinet meeting late last week, Premier Yu Kno-hwa said the national health administration will closely screen Du Pont's pollution control plans. The Industrial Development Bureau has declined to approve Du Pont's application to buy land for the plant until the Government and Lukang residents are satisfied on the pollution question.

Du Pont has earmarked $20m (£13m) of its planned $160m investment for pollution control et the plant, according to company officials.

Malaysia shrugs off protests

BY WONG SULONG IN KAULA LUMPUR

THE MALAYSIAN Government remained unmoved hy the international expression of shock over the execution of two Australian drug traffickers. Dr Mahathir Mohammad, the Prime Minister, said be did not expect the event to sour hilateral relations, althougb Mr Bob Hewke, his Australian counterpart, had described the hangings as "barbaric."

Mr Kevin Barlow of Adelaide and Mr Geoffrey Chambers of Perth, both 28, became the first Westerners to be banged in Malaysia for trafficking. The remains of Mr Barlow, who had dual Australian-British citizenship, were cremated outside Kuala Lumpur yesterday in a brief ceremony.

The Malaysian Government rejected all appeals for clemency, including last minute letters from Mr Hawke and Mrs Thatcher, the Britisb Prime Minister, saying its laws apply equally to locals and foreigners.

Malaysia is reputed to have the world's toughest drug laws and a mandatory deeth sentence is imposed on anyone caught with more than 15 grammes of heroin.

Privately, Malaysian leaders are worried that wide media coverage about the hangings could hamper tourism and foreign investments.

The two Australians were caught in the complex web of Malaysian politics and race relations, and its was difficult to see how the Government could have commuted their santence without incurring serious political risks.

Dr Mahathir, whose five years old administration is beset by e host of political and economic woes, ie likely to face a crucial general election next month and cannot be seen to edopt a double standard by treating westerners more fevourably than locals.

Had the two Australians been spared, the Government would also have to face the explosive issue of how to deal with more than 90 others, most Chinese, now in various stages of appeals against the death sentence.

Wages frozen in UAW agreement with Caterpillar

BY PAUL TAYLOR IN NEW YORK

CATERPILLAR, the world's leading earth moving equipment manufacturer, has reached a tentative 28-month contract settlement with members of the United Auto Workers Union.

The contract, which union members are expected to epprove today is believed to include a wage freeze, work rule changes, a job security agreement and the establishment of a retralning programme.

Agreement on a contract tbat would hold down wages has been seeo as erucial for the Peoria, Illinois-based group in its effort to remain competitive and build upon its return to profitability achieved in the 1986 first quarter when the company reported e $111m (£72.5m) net profit following heavy losses in 1985.

Caterpillar has been struggling with tough operating conditions for four years during whicb it has revamped its production facilities to cope with intensifying competition from its arcb rival Komatsu of Japan.

Yesterday neither the company nor the unioo, which beve been locked in tough negotietions since the start of April, would comment upon the agreement. The union's last contract, whieh covers 17,680 active and 12,200 laid-off UAW members at nine UAW local unions in six states, expired on June 1. Since then the contract has been extended by mutual agreement averting the prospect of a strike.

Under the terms of the contract it is understood that the union has agreed to a signifieaot reduction in job classification wbich will allow the company more flexibility in its use of labour. Caterpillar has argued that work rule changes are erucial to improving productivity.

At the same time the union is believed to have agreed to freeze wages at their current levels, about $13.60-an-hour, for the length of the contract, although workers will continue to receive cost of living increases.

In return, the union bas apparently won a series of concessions from the company including an unusual job-security agreement and the strengthening of seniority rights. In particular the company has agreed not to pay off more than 10 per eent of the workforce unless there is a partial or complete ptant closure.

Caterpillar is also bellieved to have agreed to a secood major union demand, the establishment of a retraining programme thet is aimed particularly at belping high seniority workers.

Trade by developing nations declines

By Stewart Fleming in Washington

THE EXTENT of the economic problems facing developing countries in their efforts to increase their foreign exehange earnings has been underlined by an International Monetary Fund report on trends in developing countries' trade.

The IMF said that in 1985 developing countries' trade decreased, wtth export earnings *falling faster* than declines in imports.

Exports fell 5.7 per eent in value terms to $490.9bn (£320bn) while imports declined 3.4 per cent to $497.3bn, resulting in trade defieit of $6.4bn compared with the surplus of $5.8bn in 1984.

Western hemisphere developing nations suffered some of tha sharpest declines in exports (down 4.7 per cent) and imports (down 4.6 per cent), and the aggregate trade surplus for the region fcll from $28.2bn in 1984 to $26.8bn in 1985.

Asian countries exports fell 1.6 per eent largely because of large decreases in Malaysia but imports in the region rose 4.5 per cent resulting in a near doubling of the region's trade defieit to $24.2bn last year.

The IMF also confirmed deepening concerns about trends in bank lending to developing countries. It reports that. although international lending overall rose 21 per eent to $216bn, the increase was more than accounted for by higher leoding to industrial countries. Lending to developing countries declined further.

The IMF also released figures indicating that capital flight from developing eountries may have worsened in 1985, AP-DJ edds. Based on e review of international financial transactions, the IMF said developing countries expanded their deposits with international banks by $11bn last year.

Although this was well below the $20bn increase for sueh transfers in 1984, the IMF monthly statistical report showed that nearly all of the increase last year represented deposits hy individuals and other non-bank owners of assets in the developing nations.

Tim Coone reports on an obstacle to Alfonsin's reform plans

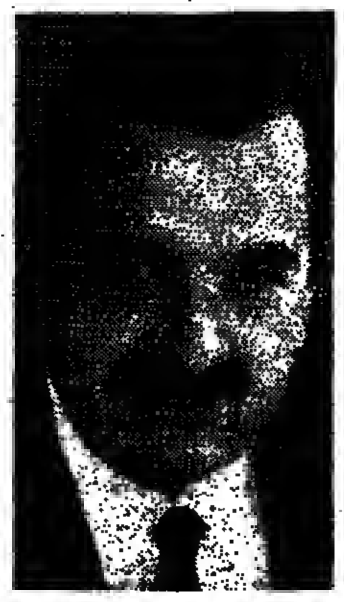
Divorce debate divides Argentina

THE Catholic Church beirarchy in Argentina this weekend brougbt out its biggest gun yet in its campaign to keep the faithful on the straight and narrow and prevent divorce from plunging Argentina society into immorality and alienation from the Church. Argentina'e most venerated symbol of the Catholic faith, the virgin of Lujan, was mounted atop a pick-up truck and brought from ber shrine the 40 miles to the capital, for only the second time in 350 years, to lead a 50,000 strong march to the presidential palace in protest at government plans to introduce divorce.

Lujan is the location of a hoge twin-spired gothic cathedral jutting out of the surrounding Argeotine pampas, where shortly afier the introduction of Christianity in the contioent in the sixteeoth century, an image of the Virgin Mary became bogged in mud while being transported by ex-cart.

In spite of successiva efforts to move it, the cart became even more firmly stuck. This was taken as a sign by those present that a shrine should be built there. And so it was. What seems likely to get similarly bogged down now is the Government's divorce bill.

A recent opinion poll suggested that two-thirds of Argentina's 28m mainly Catholic population are in favour of divorce. Separation already exists under civil law, and is recognised by the cburch, but nullification of the marriage and remarriage are prohibited. A study publisbed last month by the Catholie University strengthening the pro-divorce lobby's case, estimates that over 1m Argentinians would benefit from modernised legislation of the issue. A law allowing divorce would regularise tha *de facto* situation of ½m children wbo have been born to unmarried parents, many of whom have left their original spouses but are unable to remarry because of the existing law.



Alfonsin: staying quiet nn divorce issue

President Alfonsin'e Government eims to introduce divorce as part of its efforts to modernise the country's economy and political institutions as a wbole.

Legislators from the ruling Radical Party and progressive segments of the Peronist opposition who are promoting the divorce bill, bave come under stroog *attack from* the country's spiritual leaders.

Msgr Emilio Ognenovich, e bishop of the Buenos Aires province presiding over the shrine and president of an *episcopal* commission on the family, has said the divorce bill is "e generalised attack on the family" and is snpported by groups linked to foreign ideologies and drug traffickers."

Such outbursts from the clergy have caused irritation in government circles and, although President Alfonsin bas remained tactfully quiet on the issue, other Radical Party leaders are oow hinting at the possibility of bolding e referendum. Such a move would break e gentlemen's agreement made earlier in the year in return for the chnrch not involving itself publicly in the issue.

The Church's attempts to influence the parliamentary debate, schednled for the end of the month, is seen as the thin end of the wedga of a wider involvement by the church in the country'a political affairs.

The Church is already actively involved in building links with tha more eonservative sectors of the trade *union movement*, and successfully obtained the support of the "62 organisations," a powerful sector of the Peronist-controlled trade unions in its fight against the proposed divorce bill.

The unions are a particularly toueby erea for the Government. Both left-wing and right-wing unions have become increasingly restive under tight wage controls imposed by the Government over the past year as part of its economic stabilisation programme — the Austral Plan.

A series of strikes this month is threatening to undermine the foundations of that plan, and witb it the Government's long term plans for the modernisation and restructuring of the Argentine economy. Modernisation necessitatea the growth of new industries and the rationalisation of older ones, which in turn signifies an erosion of the political and economie base of the traditional trade union leadership.

Furthermore, the military and security forces have found common cause with these other conservative sectors of Argentine society and were present in the anti-divorce march et the weekend.

The forces against modernisation in Argentine have clearly manifested their ability to mobilise and elly themselves around the divorce issue. The Government now has to decide whether it is worth fighting the matter in parliament or taking it to a referendum. It could quietly let the whole issue drop,

Opposition in Chile draws closer together

THE CHILEAN Communist Party has dropped its opposition to talks with President Augusto Pinochet'a military subordinates on a plan for restoring the country'a democratle system, AP reports from Santiago.

Although lt is unlikely that tbe military would accept such talks, the new Communist line brought Chila's two main opposltion groups closer to a common strategy to end nearly 13 years of armed forcea rule.

Two party leaders announced the Communist poeition at the weekend after a two-dey general strike that halted most public transport and e week of political violence in which 10 people died.

Both the Communist-led Democratic Popular Movement, a marxist coalition, and the Democratic Alliance, which gronps seveo non-marxist nartles. backed last week's strike and called it e milestone in their attempts to disrupt the country and undermine President Pinocbet's apparently sollid military support.

Three years of *anti-government* protests hava failed to achieve this aim.

Salvador opponents fail to agree on talks agenda

LITTLE MORE than e month after President Jose Napoleon Duarte proposed e dialogua aimed at ending the Salvadorean eivil war, government and rebel leaders doubt whether auch talks will ever take plaee, Reuter reports from San Salvador.

Crucial questions sucb as wbether the leftist Farabundo Marti National Liberation Front (FMLN) ean be ineorporated into the nation'a democratic proeess, or even be persuaded to join a ceasefire, bave taken a back seat to such seemingly minor issues as wben and where the talks will be beld.

The talks ldea, wbich began as e proposal tacked on to the end of a June 1 apeech by Mr Duarte marking his second anniversary in office, has become a springboard for the rebels and government to criticise each other.

They have disagreed so far on virtually every ageoda item publiely offered for the talks and hava not even been able to agree on a time and place to meet.

In 1984 two rounds of talks collapsed in stalemate. Both sides went optimistically into the first round but left the second aecusing eacb other of political manoeuvring, and 18 months of silence followed, Salvadorean political observers say.

The war, now in lts seventh year, has killed an estimeted 60,000 Salvadorians and left 500,000 bomeless.

Mr Duarte said last month that be was determined not to raise the hopes of bte Salvadorean people only to disappoint them later with another round of fruitless talks.

Last week he acknowledged to reporters that the talks might heve collapsed, but vowed to continue pushing for peece.

The current mood was set only three days after Mr Duarte proposed the talks, when the FMLN and lts political wing, the Damocratic Revolutionary Front (FDR), punctuated their acceptance by saying they would not recognise Mr Duarte's presidency, nor tha Salvadorean constitution, and would "never put down our arms — not before, not after a negotiation."

Government spokesman Mr Roberto Viera warned last week the talks were at risk because the rebels had rejected e plan to hold private plenary sessions to belp mep out the course for national reconciliation.

Mexican ruling party claims poll victory

BY DAVID GARDNER IN CHIHUAHUA

MEXICO'S RULING Institutional Revolutionary Party (PRI) has claimed a "clear, precise and transparent victory" in bitterly contested state and municipal elections on Sunday in Chihuahua, bordering Texas, whicb were marked by widespread ballot rigging.

The rigbt-wing National Action Party (PAN), which controls the state's major towns and gave the PRI bere one of the toughest fights it bas faced in 57 years of power, still belleves against most of the evidence that it can produce enougb legitimate votes to overcome the frand.

Thougb the electoral chaos of Suoday meant that voting in many areas did not finish until 4.00 am yesterday, Mr Mario Niebla, tha PRI national executive's special delegate in Ciudad Juarez—the border city wbere Mr Francisco Barrio, the PAN candidate for governor, is mayor, claimed 60 per cent of the vote for the ruling party at 7.00 pm on Sunday, one bour after the polls were due to close. Official results are not due until next Sunday.

Mr Fernando Baeza, the PRI candidate for governor, said in *Chihuahua, the state capital,* that his information gave the PRI 70 per cent of the vote, but that he was waiting for official confirmation.

The PRI also claimed to have recovered the state's major towns, seven of which are beld by the PAN and one by the independent left, wbich bas been at the forefront of the broad-based campaign for a clean election.

Part of *this campaign* was the monitoring of the election in Juarez carried out by the Democratic Struggle Committee (Colude), whose task force yesterday claimed that fraud was carried out in one-third of 332 voting stations in Juarez. Ballot box stuffing was used in 59 stations, Colude said, and PAN representatives monitoring the vote were expelled from 36, and "impersonated" by phonies (leading to the expulsion of the genuine representatives) in a further 22.

Correspondents witnessed at least two cases and two in Chihuahua of ballot boxes so stuffed that early voters could not get their voting slips into them. Following protests by crowds of voters, three stuffed boxes were burnt publicly—witnessed and photographed by correspondents — in Juarez, while the same thing heppened at two voting stations in Chihuahua.

As a result of the widespread exclusion of vote monitors, however, PAN leaders recognised it will be impossible for them to validate their votes evarywhere.

With tension running high in the state, the PAN is to meet today to decide its course of action.

WORLD TRADE NEWS

Israel asks US yards to bid for $1bn navy order

BY ANDREW WHITLEY IN TEL AVIV

THREE US shipyards have been invited to tender for the construetion of a new elass of eorvettes for the Israeli Navy, according to Western diplomats. Costing an estimated $1bn, the corvettes form the centrepiece of a US Government-financed naval re-equipment programme for Israel.

The deeision to go ahead with the corvette order ends more iban five years of uneertainty and debate about tbe eost of—and atrategic justifieation for—a class of warsbips double the size of tbe targest vessels currently in service in Israel.

Designated the Saar-5, the warships are expected to displaee between 1,000 and 1,200 lonnes. They witl be armed with belicopters end long-range missilea, and Israeli defence experts say they will also have an advanced eleetronie warfare eapability.

Four, or possibly five, of these warsbips—the first new weapons sysiem in a decade for tha Israeli Navy—are to be built in the US and then fitted out and armed in Israel, diplomatie sourcea say. The Defence Ministry in Tel Aviv aaid it eould not comment on the reports.

Deslgn work on the ships themselves is due for completion this summer by a US eompaiy. A second batcb of the Saar-5s may later be constructed entirely al Israel's Haifa Shipyard, provided the yard's eurrent acute problems can be resolved. Hopes bad been expressed thai two of the initlal order could be built there, but these epparently proved unrealistic.

The state-owned Israel shipyards has been in the hands of a recelver since February, and faces total shut-down soon for lack of orders unless e purchaser can be found.

However, the yard's salvation may lie in parallel. quiet discussions about its futore, involving botb the US Government and private American companies.

Last October, the US navy signed a masier repair agreement (MRA) with Israel Shipyards, eoabling the US Sixth Fleet to use Haifa for intermediate maintenance work. Similar agreements have been signed with Turkey aod Italy. Another is presently under negotiation with Egypt.

But Washington is frustrated that nine months after the Israeli agreement was signed, it bas still not been put to use. Tbe first US ship to eoter dry dock at Haifa was hit by a strike. A decislon was apparently taken after that not to use the yard until its ownership bad been resolved and necessary upgrading of its faciliiies earried out.

Several US concerns, including a newly formed, Houston-based company, Texas Maritime Logistics, bave expressed interest in buying a 51 per cent interest in Israel Shipyards, bui the Israeli Government ia believed to bave taken no decision on the subject yet.

The third elemeot in the Israeli naval programme is the planned construction, with US military aid, of three medium-sized coastal submarines.

Western diplomats say the US bas finally rejected long-standing Israeti demands that these *diesel-powered submarines* be built in the US on the grounds that this would interfere with the US Navy's own nuelear submarine building programme.

As Israel Shipyards' facilities are inadequate for the lask of building entire submarinea, the two sides heve reluctantly agreed that the bulk of the work will be handled by a third country — West Germany — despite the beavy direct costs *this implies for the already* over-strained Israeli defence budget.

US foreign militery assistance cannot be spent outside the US ltself or, subject to congressional approval, in the recipient country. In the current fiscal year $300m of the $1.8bn being provided to Israel has been earmarked for local, sbekel spending.

Negotlations underwey with a West German shipyard are understood to provlde for the three submarines to ba constructed there in modular form, before being shipped to Israel Shipyards for final assembly and fitting out. Weapons systems, being designed in the US, will, unusually, be integrated with those to be installed on the corvettes.

Taiwan tax on imports angers consumers

By Robert King in Taipei

TAIWAN has lifted a ban on imported video cassette recorders (VCRs), eolour televisions and other home appliances.

But at the same time, the Government imposed sueh swingeing tariffs and other taxes that consumers may be better off purchasing prodncts "Made in Taiwan."

The tariffs, which run as high as 84 per cent on VCRs, have angered many who put off buying locally-made VCRs and televisions in the hope of better deals when the bans were lifted on July 1.

In addition, all incoming VCRs are to be valned at $280 for tariff purposes.

The high valuation, plus the import doty, harbour-commodity and valne-added taxes will make the retail prices of VCRs higber than domestically-produced prodnets.

The Economics Ministry bas defended the Government's apparent protection of *local industry* but has promised to review tariffa as part of its overall policy of trade liberalisation. Soch reassessments are generally made annually.

Locally made VCRs currently cost $600-$700 and most of the high-valne components are imported from Jepan. Demand is estimated at 25,000-30,000 units a month.

● Talwan's trade with European nations rose by nearly 28 per cent to $2.86bn during the first five months of this year, according to a local trade organisation. Exports reached $1.64bn an increase of 34 per cent, while lmports stood at $1.22bn, an increase of 20 per cent. West Germany remaina Taiwan's largest Enropean trade partner at $884, followed by the UK at $431m. Exports to Europe lncinded electrical machinery and electronie prodnets.

Philip Stephens reports on a South Korean car maker with big ambitions

Hyundai scores a US hit with the Excel

GLOSSY edvertisements for tha latest foreign competitor in the crowded US small car market proclaim: "The good-looking car for the great-looking price." So far, consumers seem to agree.

South Korea's Hyuodai, unknown in the US before the launch of lts Excel passenger car range in February this year, now sells more than 10,000 of the "subcompact" vehicles each month. Barring an unexpected downturn in the market it is widely expected to meet or surpass its target of 100,000 sales during 1986. lts executives are talking about doubling that figure in 1987.

That would still be only a fraction of the 60,000 to 70,000 cars a month currently sold by Japan'a Toyota, the leading exporter to the US. But for a newly-industrialised country with global car exports totalling just 15,000 five years ago, it would mark a big step towards South Korea'a ultimate objective of carving out a sizeable niche in the world automobile market.

Over the past two years, Hyundai Motor, a subsidiary of the giant Hyundai shipbuilding to electronics conglomerate which ranks 37th in Fortune Magazine's listing of the 500 largest eorporations outside the US, bas overtaken Honda as the leading car importer in Canada. Tbe company plans to establish a Canadian assembly plaot by 1988.

Hyundai's Excel—making strides in the US market

Mr Ted Kade, publie relations manager for Hyundai Motor America, says no other importer has ever sold 100,000 cars in its first year in tha US market. By 1990, he adds, the company plans to be eompeting in "all the major markets segments." The South Korean pareot receotly announced plans for a joint venture with Japan's Mitsubishi to build a slightly larger car — a compact — for sala in the American market from 1989.

The Excel, styled by Italian designer Glorgetto Giugiaro, has an engine and axle designed by Mitsubishi, which owns a 15 per ceot shareholding in Hyundai Motor.

he launch of the Excel, a bottom of the market small car with a recommended retail price of $4,995 (£3,200) for the eheapest of three models about about $800 less than the average of its mainly-Japanese competition), has been bolstered by an aggressive multi-million dollar television and newspaper advertising campaign to establish Hyuodai's name in the US.

At the company's offices in Garden Grove, 30 miles south of Los Angeles, executives admit to some surprise at the speed of the sales build-np. The company'a staff, whicb numbered only three just over a year ago, is expected to risa 50 per cent from the present 200 by the end of the year.

The Excel has not escaped criticism. "A eompetent car with one aerious performance flaw and some annoying rough edges," was the equivocal judgment of a recent test report in Popular Science magazine.

But Hyundai'a competitive advantage over the Japanese—based initially on much lower labour eosts in South Korea—has been significantly strengthened by the sharp rise in the value of the Yen on foreign exchange markets. While the Yen has appreciated by more than 30 per cent against the dollar over the last year, forcing Japanese companies to raise their prices in the US, the value of South Korea's won has increased by less than 5 per cent.

That, in turn, has not escaped the attention of the US car giants, wbo have so far faited to compete profitably in the small car market with a domestically-produced veblcle (Ford's top-selling Escort is a substantial loss-maker.) Both General Motors and Ford have now signed deals to import Korean-made small cars within the next few years, and Chrysler is seeking a similar arrangement.

HYUNDAI MOTOR, of South Korea, exported 138,000 cars throughout the world in the first six months of this year, a 200 per cent increase on a year agn, AP-DJ reports from Seoul.

The group shipped 52,396 cars to the US where it made its debut as South Korea's first car maker early this year. Company officials said the US had replaced Canada as the group's tap export market.

The officials refused to say how many cars Hyundai sold in Canada between January and June because, they said, such a disclosure might alert or irritate protectionist elements in Canada.

Hyundai expects to export 200,000 cars, incinding 100,000 to the US, by the end of this year. Its exports totalled 120,000 last year.

The company's domestie car sales rose to 50,000 in the first half of 1986, np 11 per cent on a year earlier.

Daewoo Motor and Kia *Industrial*, the other two local car prodncers, plan to market their cars in the US next year under their arrangements with General Motors and Ford nf the US respectivelv.

EEC ministers agree US farm trade deal

BY OUR TRADE STAFF

EEC Finance Ministers yesterday approved the temporary agreement announced last week between the Community and the US in the dispute over agricultural trade.

The approval came as senior EEC and Japanese officials began talks on EEC demands for speedier access to Japanese markets. Tbe talks will centre on dismantling barriers to EEC exports to Japan which the Europeans claim bave increased the Community's trade imbalance with Japan.

Tbe EEC-US farm agreement met no opposition, according to EEC sources. France and Spain bad expressed some hesitation earlier but this had been overcome, the sources said.

Under the agreement, which prevented a trade war over Community enlargement breaking out this year, the US is guaranteed exports of 234,000 tonnes of enimal feedstuffs e month to Spain, or to substitute Community markets, for the rest of this year.

The two sides will have to meet soon to try to reach a permanent solution to the dispute.

The Community has become increasingly exasperated with Japanese reluctance to take significant steps towards opening its domestic markets to foreign imports as Japan's trade surplus with the EEC has steadily mounted.

EEC Commission figures show that the Community's trade deficit with Japan stood et $7bn in 1978 and rose to a record $13.7bn last year.

R-R signs $8m deal for work on US aero engine

ROLLS-ROYCE has signed an $8m deal with Garrett Turbine Engine Company of the US for work in the UK, writes Michael Donne. The deal involves the Garrett TPE331-12B turbo-prop engine to power the Brazilian Tucano basic trainer for the RAF, and Garrett engines for other users.

Up to 140 engines ordered for the Tucano aircraft will be assembled and tested by Rolls-Royce at its East Kilbride factory in Scotland; from parts made in the US by Garrett.

Rolls will also make some components at its factories at Bristol, Derby and Leavesden in England, and Hillington in Scotland, for the RAF's Garrett engines and for other TPE331 engines for other customers.

Canadian paper industry to boost investment

BY BERNARD SIMON IN TORONTO

IMPROVED earnings in the Canadian pulp and paper industry are likely to be reflected in significant investments in new capacity over the next two years, according to estimates by the Montreel-based Canadian Pulp and Paper Associaiion.

Total paper and board capacity is expected to rise by 7 per cent between 1985-1988 to 17.6m tonnes. Pulp capacity will expand by 4.3 per cent to 24.9m tonnes, the asssociation said.

New investment is likely to centre on printing and writing papers, reflecting growing demand for these products and the strategy of several Canadian forest prodnets companiea to focus resources on value-added items.

Two new machines and a coater in New Brunswick and Quebec will raise production capacity for book and writing papere by 33 per cent over the three-year period.

Groundwood printing and special paper capacity will grow by 295,000 tonnea.

On the other hand, the association said that newsprint canaeity was expected to edge np by 300,000 tonnes, equal to just under 3 per cent. Investment in plant and machinery for most other grades of paper, including container board, and sanitary papers, will also be modest.

● Canada'a National Energy Board, in a policy reversal, has begun accepting discount natural gas prices for sales to the US, AP-DJ reports from Calgary.

FINANCIAL TIMES SURVEY
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IRELAND

Acclaim for the coalition government after the Anglo-Irish accord crumbled with public rejection of its divorce law proposals

A setback for reconciliation

THE PAST year has been an eventful time in Ireland and all the signs are that the year to come will be equally active.

The signing of the Anglo-Irish agreement at Hillsborough Castle in Northern Ireland in November was the historic culmination of several years of patient Irish diplomatic effort to coax Britain towards Dublin's way of thinking on the North. It was a considerable personal triumph for Dr Garret Fitzgerald, the Prime Minister.

Making it work is proving no less difficult than the many previous attempts to solve the Ulster riddle, which ran into sectarian stubborness and strife. The months aheed hold many challenges for both Dublin and London if the initiative is to last.

On the domestic front events have been almost as stirring. An attempt by Dr Fitzgerald and his Fine Gael-Labour Government to remove the constitutional ban on divorce — a proposal related to the Anglo-Irish accord — was soundly beaten in a referendum, sending the coalition into the summer recess with its tail between its legs.

There is much speculation of a general election as early as this autumn, although the Government's five-year term officially lasts until November 1987.

Whenever the election comes, considerable attention will focus on e new party, the Progressive Democrats. It was leunched at the turn of the year by Mr Desmond O'Malley, a former Cabinet minister, who led a band of dissidents out of Mr Charles Haughey's Fianna Fail Party with the avowed intention of "breaking the mould" of Irish politics. Its opinion poll ratings suggest that it will play an important role in the battle for the next Parliament.

Meanwhile, the international trends of falling interest rates, low oil prices and a weaker dollar have brought a little brightness into the economy after half e decade of almost unbroken gloom. The outlook is by no means brilliant, especially as unemployment remains high and big deficits and debt commitments continue to cloud the picture. But the coalition has some grounds to hope that improvements will be felt before it has to face the electorate.

The Anglo-Irish agreement stemmed from an approach to relations between London, Dublin and Belfast initiated at the turn of the decade by Mr Haughey when he was Prime Minister. It argued that, given the past failure of attempted internal settlements, tackling the problems of Northern Ireland was best done through ties between the Irish and British Governments.

Dr Fitzgerald brought his own long-standing commitment to seeking a solution that satisfied the traditions of the Protestant Unionist majority as well as the aspirations of the Catholic Nationalist minority in the North.

The accord, painstakingly negotiated over a year, gave the Republic a formal say in the affairs of the North for the first time through an inter-governmental conference. This considers such metters as security co-operation, the North's system of justice and economic ties.

Crusader against divorce: strong emotions raised by the reform proposals led to rejection of the Government's views in a ballot

The agreement was welcomed with enthusiasm in the South as a step forward in dealing with the alienation of the minority community in the North and, perhaps, solving the divisions of the island at last. For several days afterwards. Dr Fitzgerald, e well-liked but hardly charismatic figure, was greeted by spontaneous appleuse when he appeared in the street.

By Hugh Carnegy, Dublin Correspondent

In the North, unionist howls of protest pose obstacles to progress. In spite of that opposition, Dublin is reasonably satisfied with the way things have gone. The very existence of the accord and Irish and British ministers talking in Belfast is counted as a victory.

There is some concern, however, that progress on measures to reduce nationalist suspicion of the security forces and judicial system must be made in the entumn to allay fears that the conference is no more than a talking shop which has changed little. Dublin is looking, for example, for changes in the non-jury "Diplock courts" and changes in some of the practices of the Royal Ulster Constabulary and the Ulster Defence Regiment.

Without these, the fear is of a resurgence of support for th IRA and Sinn Fein, its political wing, which the Government in the South regards as just as much of a threat to the Republic's political stability as to that of the North.

In the longer term, the signs are that the agreement will survive a change of government in Dublin, in spite of Mr Haughey's initial hostility to it based on its recognition of Northern Ireland's right to remain British. He has indicated that he will operate the accord, although he may invoke a clanse to renegotiate certain parts.

Less of a triumph for Dr FitzGerald was last month's divorce referendum. The proposal to introduce divorce was an election promise linked to Dr FitzGerald's desire to move the Republic towards a more pluralist society in which all people, north and south, would be happy to participate.

Its rejection by a majority of more than six to four after a strong campeign of opposition by the Catholic Church and its supporters has been portrayed as a setback to the prospects of reconciliation between the Republic and Northern Ireland. It certainly seems to throw another serious obstacle in the way of persuading Unionists to join in the Anglo-Irish process.

The more immediate effect of the referendum has been to shake the authority of the coalition and disturb relations between Fine Gael and Labour —and probably edvance the dete of the general election. It cannot come soon enough as far as Mr Haughey is concerned, as he makes much political capital out of the coalition's woes and watches the opinion polls show the popularity of himself and his party blossoming.

The polls also show the Progressive Democrats holding a steady rating of about 15 per cent support, enough to give them a significant number of seats in the next Dail (lower House of Parliament). However, although they grew out of Fianna Fail, the Progressive Democrats, with their "new Right" policies of trimming the state sector, now seem to pose more of a threat to Fine Gael than to Mr Haughey, making Dr FitzGerald's prospects of a return to office more difficult.

The best hope of the coalition is for a brisk upturn in the economy. The outlook this year is better than for some time, thanks to external fectors and inflation falling to well below 5 per cent. There is also some hope of a real increase in disposable income filtering through in time to affect the election.

But structural problems are so deep that the economy may not turn quickly enough to give the Government much ammunition. With the labour force growing faster than new jobs, unemployment—among the highest in Europe et more than 17 per cent—is not expected to start falling at least until next year.

Years of diplomacy coaxed UK Prime Minister Margaret Thatcher into signing the accord over Ulster with Irish Premier Garret FitzGerald

The coalition deserves credit for regaining a large degree of control over the public finances, but the burden of the I£8bn (£7.2bn) foreign debt and a continuing heavy budget deficit means there is little scope for e big reduction in the heavy tax regime without tough public spending cuts or a relaxing of the fiscal grip.

This has not deterred Mr Haughey from promising tax cuts and a programme of public spending to boost industry, not least the big agricultural sector which has suffered the joint assaults of European Community production cuts and virtually a year of miserable weather.

The benefits from the EEC can be seen all over Ireland in the modern farm bungalows which sprouted in the early, bountiful years of membership. The political benefits of a link to the Continent which goes past the ever-looming presence of neighbouring Britain are also valuable.

However, in the wake of the most recent EEC farm curbs, Mr Haughey's party talked seriously of seeking to renegotiate Ireland's terms of membership to take more account of the special importance to the national economy of its agriculture.

The Economy

Indicators contrast with optimism

THE IRISH economy is not responding to more favourable international conditions, according to Mr Charles Haughey, the Opposition Fianna Fail leader. "It is just flat dead. There is no improvement whatsoever."

Political rhetoric may account for a good deal of the nature of that statement made late last month.

Nevertheless, the uncomfortable fact is that the latest indicators seem at some variance with the cheery outlook proclaimed by the Fine Gael-Labour coalition Government—and less partisan bodies such as the Central Bank.

The optimism was based on the fact that falling oil prices, the cheaper dollar and lower interest rates made the economic prospects for Ireland in 1986 better than they had been for several years. Yet the annual inflation rate in May still stood at 4.4 per cent, a long way off confident government forecasts of zero or even negative rates by the end of the year. And perhaps more importantly, well ahead of Ireland's trading rivals in Europe.

May unemployment figures were also bad, with the underlying rate rising by 3,200 in a month to 234,200, or more than 17 per cent of the workforce. The figure would be higher were it not for emigration, which one estimate put at 13,000 in 1984.

Industrial output is stubbornly stagnant, retail sales are similarly sluggish and imports are falling. This signals, according to the Confederation of Irish Industry, a fall in exports later as much of Irish imports are raw materials for companies selling products abroad.

So where is the good news? Certainly, when compared with the miseries of the early 1980s, conditions are looking up. An inflation rate below 5 per cent would have been considered a triumph not so long ago and most government expenditure estimates have been based on an expected inflation rate this year of about 4.5 per cent.

Interest rates have fallen back markedly in recent months. Short-term loans for prime customers are now edging below 10 per cent compared with more than 15 per cent earlier in the year when a bout of speculative selling of the Irish punt in advance of the European Monetary System realignment sent the cost of money in Dublin soaring.

The decline of the dollar helps ease the burden of Ireland's heavy foreign debts which at the end of last year totalled I£8.4bn—about half the total national debt. Servicing the external debt cost I£2bn last year. The current strength of the Irish punt against sterling also helps cut import bills as much of Irish trade is still with Britain.

There is considerable benefit in straight cost terms of the oil price fall as Ireland imports some 8m tonnes of oil a year. The Central Bank estimated in May that these factors should help cut the current balance of payments deficit from I£560m last year to some I£240m in 1986, equivalent to about 1.5 per cent of gross national product.

In theory, all this should lead to a quickening of the economic pulse. With pay rises still ahead of inflation, consumer spending should rise. Industry should pick up as interest rates fall and demand rises, with a consequent effect on unemployment. The Central Bank forecast real GNP growth of about 2.5 per cent, the highest since 1980 and a marked improvement on 1985 when there was a slight decline. Other estimates have been for GNP growth of more than 3 per cent.

So as the second half of the year begins, why is it that Mr Haughey can cite the evidence of the indicators to make his attack on the Government?

The Government's answer would be that the benefits of the improving situation were not expected to accrue until the second half of the year. For example, increases in direct taxation in the January Budget are probably responsible for the relatively high May inflation rate and some commentators now expect a fall in prices. Improvements in disposal income would take time to make their effects felt.

However, there are disturbing noises disputing the optimistic view, most notably coming from the Confederation of Irish Industry. In a roundup of economic trends at the end of May it concluded: "While there has been a significant improvement in the European outlook it will not necessarily translate into a more buoyant Irish economy. A significant reduction in industrial input costs is required so that Irish industry can take its full share of the recovery in European demand."

The main thrust of the CII argument is that Irish industry has suffered a serious decline in competitiveness due to the recent strengthening of the punt against the currencies of its two main trading partners, the dollar and sterling. Combined with high domestic costs to industry in the form of electricity prices, transport, communications and other inputs, production costs were rising much faster for Irish industry than for its competitors.

The result, according to the CII, is that order books have been falling for three months.

There are disturbing noises disputing the optimistic view, most notably coming from the Confederation of Irish Industry

On the exchange rate front, at least part of the solution lies—much to the frustration of Government and private sector alike—outside the control of anybody on the western side of the Irish Sea.

This concerns the question of whether sterling will join the EMS. If Irish prayers were enough to determine the issue, Mrs Thatcher would have taken the step months ago.

The reason Dublin is so anxious for this stems from Ireland's awkward position of being a member of EMS but doing the bulk of its trade with a neighbour that is not a member. The cushioning effect of membership only half applies. In the present situation, with the punt at around 90p compared with 80p last year, Irish companies selling in Britain, or in competition elsewhere with British companies, are at an immediate disadvantage.

Industry is also pleading with government to get its spending levels down and allow government-controlled service charges to fall. For example, electricity prices in Ireland are 20 per cent higher than the European average; postal and telecommunication charges and transport costs are likewise comparatively steep.

This comes back to the severe structural problems facing the government. The coalition has regained a large degree of control over the public finances since it came into office in late 1982, but the projected Budget deficit this year will still be I£1.2bn, or 7.4 per cent of GNP.

Financing the deficit has led to the huge national debt and the need to curb further borrowing means that the Government has had little choice but to impose a draconian tax regime if it was to sustain the levels of public spending demanded by high unemployment.

The consequence has been a depressing array of tax instruments, ranging from very high personal tax levels through value-added tax at 25 per cent to special levies and duties that add heavily to the cost of indusry's inputs.

Cuts in public spending and pay curbs to achieve what the Central Bank called "a quantum improvement in the public finances to create a framework for longer-term growth of output and employment" is industry's preferred way. But these are fiercely resisted in Ireland where trade unions have not suffered the same loss of influence as their counterparts in Britain, in spite of unemployment.

What the economy desperately needs is an "engine for growth." Previously the great hope was that this would be provided by the discovery of oil in the Celtic Sea off the southern coast. A combination of low oil prices and less-than-successful exploration has virtually put paid to that.

The old faithfuls of agriculture and the construction industry are both in the doldrums. There may be a recovery in building over the coming years, mopping up some unemployment, but it will take a while just to reach pre-recession levels.

Hugh Carnegy

Des O'Malley (left) set up the Progressive Democrats after being thrown out of the Fianna Fail, headed by Charles Haughey (right), and changed the balance of Irish politics

Politics

Haughey exudes air of confidence

THE PERSON exuding the greatest air of confidence in Irish politicis at the moment is undoubtedly Mr Charles Haughey, former Prime Minister and leader of the opposition Fianna Fail Party.

This is pretty remarkable in many respects. He came close to being unseated as party leader amid bitter recriminations within Fianna Fail after its last short-lived spell in government between January and November 1982 when it was beset with scandals ranging from allegations of misuse of police bugging facilities to the bizarre case of a murderer who enjoyed the hospitality of an unwitting Attorney General.

As recently as last Christmas Mr Haughey was on the defensive. His strong denunciations of the Anglo-Irish Agreement, which was greeted favourably by most people in the Republic including many Fianna Fail supporters, and the defection of several prominent anti-Haughey deputies to form the new Progressive Democratic Party had once again raised questions over his leadership.

But Mr Haughey is nothing if not a survivor and as Parliament goes into the summer recess he is the person most widely tipped to form the next Government after a general election likely at any time from the autumn onwards.

The latest opinion poll for the Irish Times by the Market Research Bureau of Ireland gave Fianna Fail 51 per cent support and Mr Haughey a personal popularity rating of 48 per cent, his highest since 1982. By contrast, Dr Garret Fitzgerald's Fine Gael won 25 per cent, his coalition partner Labour just four per cent and the Progressive Democrats 15 per cent.

Under Ireland's system of proportional representation, those figures would give Fianna Fail a majority in the Dail (Lower House). The poll was taken before the resounding referendum defeat of the Government's proposal to introduce divorce—an issue on which Mr Haughey maintained a judicious if cynical silence. Little wonder then, that the Fianna Fail leader is in buoyant mood.

One of the interesting features of the Haughey/Fianna Fail resurgence has been the effect of the winter defections to the Progressive Democrats.

The new party was formed last December by Mr Des O'Malley, a former Cabinet minister with a long record of opposition to Mr Haughey who was thrown out of Fianna Fail for backing the coalition's bill to legalise contraceptives in early 1985.

State of the Parties

	Seats
Fianna Fail	71
Fine Gael	68
Labour	14
Progressive Democrats	5
Workers Party	2
Independents	4
Speaker	1
Vacant	1
Total	166

He made his move after another Fianna Fail deputy, Miss Mary Harney, was expelled for opposing Mr Haughey's stance on the Anglo-Irish Agreement. Mr Haughey said the accord undermined the Republic's constitutional claim to the whole island by recognising the right of the majority in the North to remain linked to Britain.

Within a short period two more Fianna Fail deputies had switched allegiance and the Progressive Democrats found themselves riding a tremendous tide of public interest which gave them an initial opinion poll rating of 25 per cent.

At that stage, early in the year, it looked strongly as though the Progressive Democrats' appeal would be strong enough to prevent Fianna Fail from winning a majority in the next election. There was serious speculation of a new coalition with Fine Gael.

Mr O'Malley and Miss Harney, a stirring orator, seemed to strike a chord with their call for a departure from traditional Irish politics in which the differences between Fianna Fail and Fine Gael tend still to be based on their backgrounds on opposite sides in Ireland's civil war of the early 1920s than on conventional ideological differences.

They espoused conciliatory policies on Northern Ireland and sharp cuts in the state sector and the tax regime to regenerate the economy.

When the dust settled after their spectacular beginning, however, it became clear that the Progressive Democrats were to pose more of a threat to Fine Gael than to Fianna Fail. In fact, the purging of the dissidents seems to have had a reinvigorating effect on their old party, as evidenced in its steadily improving poll showings.

Meanwhile, a Fine Gael deputy defected to the new party, bringing its numbers in the Dail to five. The tax-cutting message appeared to be attracting the sort of middle-class vote which previously went to Fine Gael, especially as there was considerable disillusion among many Fine Gaelers that Labour's influence in government had dulled the cutting edge of coalition economic policy.

Fine Gael, therefore, faces an uphill task in the next election and its preparations have not been made any easier by the effects of the divorce referendum. During the referendum campaign, a numbr of prominent Fine Gael deputies, including Mr Paddy Cooney, the Education Minister, campaigned against the measure, exposing the latent differences within the party between the liberal wing headed by Dr FitzGerald and the more traditional conservatives.

The three-two defeat of divorce, a fundamental component of Dr Fitzgerald's commitment to a more plural society in predominantly Roman Catholic Ireland, has also raised question over the long-term future of the Prime Minister. However, for the time being at least, there has been a closing of ranks and he has insisted he will lead Fine Gael into the elections.

For Labour, the outlook is grim. Throughout this Government there have been tensions within the party over the tougher aspects of economic policy and the effect they have had on party support. Given the difficulties of the past four years, it is perhaps surprising that no more than one Labour minister resigned over policy issues but the party may not be dismayed by the thought of a period in opposition to regroup.

Labour will want to re-establish its identity and independence and try to regain some of the urban ground it has lost to the Marxist Workers Party which has recently taken about 2 to 3 per cent of the overall vote, winning two seats in the Dail.

As the election draws closer, it is likely that Mr Haughey's opponents will seek to make his free-spending record in government, blamed for the persisting serious imbalance in the public finances, an issue—particularly as he has again promised a degree of public spending to stimulate the economy.

There will no doubt be aspersions cast on his fitness to govern, based on his domineering style and past scandals.

The formidable Fianna Fail machine, however, will be foursquare behind him and that will be hard to beat in the present circumstances.

Hugh Carnegy

Banking

DIRT flies in fight for depositors

PLAYING fields and dirt hardly sound like the stuff of banking but they are words often heard in banking circles in Dublin nowadays.

The explanation lies not in a sudden upsurge of earthy sporting enthusiasm among bankers but in the increasingly competitive conditions between financial institutions in Ireland.

As banks battle for depositors' business with building societies, trustees savings banks and the Post Office, the complaint is frequently made that they are not competing on a "level playing field" as regulatory and other conditions are not applied equally.

In an attempt to even things up—and to raise extra tax revenue—the Government this year introduced a 35 per cent deposit-interest retention tax in the Budget for the banks and building societies, known quickly by its acronym DIRT.

Although before the measure banks paid deposit interest gross, the building societies had a competitive edge by not having to disclose details of individual accounts. Under the provisions of DIRT, they all pay interest net of tax but are not subject to disclosure. However, post office savings, a key source of government borrowing, are still tax exempt.

"In effect the playing field is level but the referee is wearing roller skates," joked one building society chief.

The banks also continue to be irked by a "temporary" government levy, which has extracted more than I£100m from them since it was imposed in 1981.

Nevertheless, in spite of a marginal decline in market share in recent years, the banks still dominate the deposit market. The two major Irish-owned houses, Allied Irish Banks and Bank of Ireland, account for some 50 per cent, with the building societies accounting for less than 20 per cent.

Building societies in Ireland are still restricted to deposit taking and mortgage lending. Thus far they have not been able to mount a challenge to the banks by offering a broader range of financial services in the way that has happened in Britain. However, rule changes are in the pipeline which could bring such developments over the next few years.

Coping with this sort of competition is just one of the pressures which have prompted the banks to broaden their business. Ireland's acute economic difficulties and potential future competition from outside under the European Community's drive towards a unified internal market have, in the words of Mr Tomas O'Cofaigh, the Central Bank Governor, "stimulated the banks to seek alternative sources of revenue through diversification into new areas of business.

"This has been most notably by expanding their international banking activities, by undertaking non-banking business at home and by developing new off-balance sheet instruments."

The recent results of AIB and the Bank of Ireland reflect this. AIB pre-tax profits in 1985-86 were I£87m (£79m), up from I£84m the year before. Half the profits were accounted for from AIB business outside Ireland, compared with 20 per cent five years ago.

Apart from its large UK operations, AIB has offices in Brussels, Frankfurt, Chicago, New York, Singapore and Australia. Its US associate, First Maryland Bank, contributed I£16m to group profits.

At home, the picture has been dominated for some years by high bad debt provisions—up by 70 per cent in 1985-86 to I£57m—made up mainly from personal borrowings and in the depressed construction, distributive and agriculture sectors.

Bank of Ireland managed to get its bad debts down from I£75m in 1984-85 to I£47m to make a 54 per cent rise in pre-tax profits to I£81m. Overseas operations contributed 30 per cent of that.

The two other main players in Ireland are Northern Bank and Ulster Bank, subsidiaries of the Midland Bank and the National Westminster respectively.

All four banks operate throughout Ireland, north and south. Bank of Ireland has close to 325 branches an AIB close to 300, both with a heavy preponderance in the Republic. Northern and Ulster have about 170 and 157 respectively, mostly in Northern Ireland.

Ulster Bank, celebrating its 150th anniversary this year, made pre-tax profits equivalent to I£37.7m in the year to December 3 1985, a 22 per cent rise. Northern Bank, which has reorganised by setting up an autonomous operation in the Republic from July 1, raised its profits by a similar margin to I£19.2m.

AIB and the Bank of Ireland have had contrasting experiences in their efforts to develop non-banking operations in Ireland. AIB suffered heavy losses and severe embarrassment over the collapse in 1985 of the Insurance Corporation of Ireland, which the government-appointed Administrator revealed recently had total losses of about I£350m.

AIB, which had only wholly taken over the insurance group a short time before, wrote off I£90m after the crash and, under a Central Bank rescue scheme, is committed to pay about I£5.5m a year for the next 15 years.

The Bank of Ireland, under the same scheme, has to pay I£800,000 for the same period. Its executives rarely miss an opportunity to complain about having to help mop up the mess left by its chief competitor and if a smug tone sometimes creeps in it may be because its own venture into non-banking business has been successful.

It has acquired a 99 per cent share in the Irish Civil Service Building Society, a move which so upset the other major Irish building societies that they kicked the society out of their "big five" association. It is growing steadily and has become the first Irish building society to offer automated cash withdrawal, through its link with the parent's on-line system.

The Bank of Ireland has also announced its intention to develop life assurance.

Mr O'Cofaigh says the Central Bank in general adopts a policy of "cautious receptiveness" to such diversification. As for the growing importance of off-balance sheet activity, caution again seems to be the central authority's watchword.

"Pending the formulation of an agreed international policy, the bank is considering the introduction of certain measures in relation to prudential supervision of these instruments, in particular to the application to them of capital and exposure requirements." Mr O'Cofaigh told a recent seminar of the Irish Bankers' Federation.

The question of banks acquiring controlling interests in stockbroking firms prior to the "big bang" deregulation of financial markets in October is also under central bank and government consideration. So far in Ireland the only move in that direction has been a link between Citibank and Dublin brokers J. and E. Davy.

Hugh Carnegy

Industry

Technology on the rise

A LOOK at some simple statistics tells much of the recent story of Irish industry—a story of serious decline in traditional sectors but some encouraging growth in more modern, foreign - dominated, high-technology industries.

A sector-by-sector breakdown of production indices on a 1980 base of 100 by the central statistics office shows how a large number of domestically-orientated industries have declined significantly.

For example, the index for the first quarter of this year for the manufacture and assembly of vehicles and parts stood at 31.5, a 26 per cent decline on the previous three months. For textiles the figure was 82.6; clothing, footwear and leather 84.2; and paper and paper and printing 83.2. They show a fall over the last quarter except for tho clothing sub-sector.

One of the most dramatic falls in production has occured in the building and construction industry where, according to the Economic and Social Research Institute, output tumbled by 25 per cent between 1980 and 1985 and employment, which approached 150,000 in 1979, slid by an average of 7 per cent per year.

Other traditional industries have managed overall growth, but only on a modest scale. The protection index for the food industry in January-March 1986 was 118.9 and for drink and tobacco was 113.5.

In the same period, however, the indices for chemicals and metals and engineering, which include the pharmaceutical and electronic sectors, stood at 160.6 and 180 respectively. The pharmaceuticals index was at 176.7 and office and data processing machinery was at 511.6. Electronics as a whole, in spite of a setback last year, now accounts for more than one third of manufacturing exports.

These changes are borne out by estimates for sectoral shares of the value of manufacturing output, which show metals and engineering rising from 26 per cent of the total in 1980 to 38 per cent in 1985, including a jump from 4 per cent to 19 per cent by office and data processing machinery.

The food industry, fell back from producing 22 per cent to 19 per cent, the drink and tobacco sector declined from contributing 7 per cent in 1980 to 6 per cent in 1985, and the textile and clothing industries both fell from 4 per cent to 2 per cent.

The increasing importance of high-technology industries was illustrated last year when the overall rate of increase in manufacturing output—now worth about I£15bn—fell back to 2.5 per cent compared with more than 13 per cent in 1984. This was mainly due to a faltering in the chemical and engineering sectors, including elecronics, which suffered from the worldwide slump in that mdustry last year.

Much of the task of sorting out Ireland's post-recession industry and shaping the direction it takes falls to the Industrial Development Authority. Broadly speaking, the IDA is working to attract foreign companies to Ireland, building smaller indigenous industries, servicing foreign companies, and helping Irish-owned industry redevelop and adapt.

It tends to be judged upon its ability to create new jobs, especially et a time of such high unemployment. But increasingly it is concerned about the quality and long-term prospects of tha projects it backs.

The IDA bas a long record of ettracting foreign business to Ireland with incentive packages of generous profit repatriation terms, 10 per cent corporate tax and hefty capital and training grants. There are almost 900 foreign companies operating in Ireland—more than e third from the US, just over 200 from Britain and 130 from West Germany. They employ about 80,000 people, some 60 per cent in the chemicals and metals and engineering sectors.

According to the IDA, they spend some I£2bn a year, or 25 times the incentives laid out by the anthority.

This has not prevented criticisms thet foreign companies get more out of the deal than Ireland as they repatriate most of their profits: bur the bulk of raw materials outside the country: and are engaged mainly in assembly operations which are the first to close when e foreign-based parent suffers an economic pinch.

Investment projects, while they tend to build up a workforce quickly at first, elso tend to decline over the longer term.

To overcome these problems the IDA is paying increasing attention to winning foreign investment projects that are strategic components of parent operations, often involving research and development. At the same time it is running e "national linkage programme" aimed at building a network nf local industry to supply foreign companies with raw materials, and encouraging "technology transfer" to Ireland.

Last month, both ICL, the European computer maker, and Wang of the US announced IDA-backed R&D projects in Ireland attracted in large part by the ovailability of top-class technical graduates. Other investments announced or launched this year included a plant to produce a new drug by Fermenta, the Swedisb pharmaceutical company, and a similar project by Yamanouchi Pharmaceutical, the first by a Japanese pharmaceutical company in Europe.

Last year, 680 Irish small companies got off the ground, accounting for 3,700 new jobs, a good number in computer services such as software.

A success in technology transfer bas been an Irish company called Plastronix which acquired technology rights from Munekata of Japan to build cabinets for televisions and video recorders. It was set up to compensate for job losses when Toyota ceased car assembly in Ireland three years ago, and now employs double the number Toyota did.

Last year tha IDA end other state agencies such as the exports board, helped 54 Irish companies complete strategic reorganisation plans to cope with changing conditions. It also encourages joint ventures, an example beiug a link between Avonmore a large dairy co-operative, and Londolakes of the US to make butter spread.

This year is proving encouraging with e rash of new projects. But the process of building the manufacturing base after the ravages of recent years is slow, especially es so many new industries are capital not labour intensive.

In the short term a major recovery in the old faithfuls such as building and construction is required to make a big impact on unemployment.

Hugh Carnegy

Energy

Difficulties all round

TAKE A trip from Dundalk in the Irish republic and cross the border on tha main road to Northern Ireland, as hundreds of business travellers and lorry drivers do every day. One of the first things you will notice is the petrol stations.

Thair hoarding shout out the British price of petrol and diesel in both sterling and Irish punts. Empty-tanked vehicles from the Republic queue to fill up, their drivers calculating the savings.

Last month, price-regulated four-star petrol in the South cost £2.70 (£2.45) a gallon, compared with around £1.70 in the North. Derv cost I£2.43 a gallon, including the highest tax/duty take in the EEC of more than 48 per cent. In Northern Ireland it cost £1.65.

The implications for industry and the economy of snch high prices are easy to imagine, especially given the fact that cars in the Republic cost up to 80 per cent more then in Britain. Much the same picture applies for electricity where the price to industrial customers is about 20 per cent more than the European Community average.

"There is a danger that energy pricing is increasingly regarded as a convenient mechanism for raising additional government revenue with little regard for overall energy and industrial policy implications," said the Confederation of Irish Industry.

The trouble is, even in the present climate of low oil prices, the Government is faced with difficulties in almost every energy sector, leaving little room for a quick response to industry's appeals. Irish energy consumption totals about 8m tonnes of oil equivalent a year. Almost half is accounted for by imported oil, about 13 per cent by imported coal and the balance by domestic natural gas, peat and hydro power.

Low oil prices have come as an important fillip to the economy and some price cuts have been passed on to the consumer, everting I£3-a-gallon petrol. But the burden of the budget deficit and government debt is still so great, and the level of personal taxation so high, that indirect taxation has been increased this yeer, including extra duty oo oil products.

An important "downside" of the fall in oil prices is the effect it has on Ireland's struggle to *find its own oil deposits*.

Early this year, a significant strike was made in the Celtic Sea about 25 miles off the south coast. It was close to the site of a 1983 strike and appeared to indicate that commercial, though probably quite amall, deposits of high quality crude exist in Jurassic structures under tha Celtic Sea. But the operator on both finds, Gulf Oil Ireland, is being sold by its parent Chevron as the US company reacts to the oil price tumble. This raises a question over bow quickly these finds can be properly evaluated.

About 10 other wells are due to be drilled in the Celtic Sea this year and at least one, drilled by Marsthon Petroleum, encountered oil and gas. The shallow water and proximity to shore enbance the attraction of the erea. But with oil companies complaining that the exploration terms offered by the Government are among the least favourable in Europe, it may take a significant recovery in oil prices to ensure a sufficient level of exploration.

The Celtic Sea bas provided Ireland with natural gas wbicb came on stream from Marathon's Kinsale Head field in 1978 and now supplies more than 20 per cent of the country's primary energy needs. Here again, there are difficulties, both present end future.

In the early flusb of excitement over such a valuable asset, plans were laid for the building of a national gas network which would extend to Northern Ireland. So far, only Cork and Dublin are connected and the gas companies in botb cities bave bad to be taken over by the state as they ran into deep financial problems. The Dublio Gas Company, relaunched only three years ago with I£126m in government backing, went into receiversbip earlier this year owing millions to tbe banks and the state *monopoly supplier*, BGE.

Ironically, many of its difficulties stemmed from pricing arrangements with BGE which croded its competitive edge as oil prices fell. Dublin ges bed won a lot of new Industrial customers, notably the buge Guinness brewery on the banks of the River Liffey. But the bigh cost of domestic conversion work was not matched by enough domestic users.

Now the plans to extend the network to Weterford and Wexford in the south, Limerick in the west, and up the east coast to Drogheda and Dundelk look ambitious.

In these conditions, supply from Kinsale Head is expected to meet demand until almost the turn of the century. With no link to Northern Ireland or across the Irish Sea to Britain, the incentive to find end develop new gas fields (British Petroleum bas e significant find in the Celtic Sea) is therefore alight.

Demand for coal, in tbe meantime, is rising. Tbis is partly due to continued heavy domestic use (testified by a growing winter smog problem in Dublin) but mainly due to the start-up of a new 900 Mw "state-of-the-art" coal-fired power station at Moneypoint in County Clare.

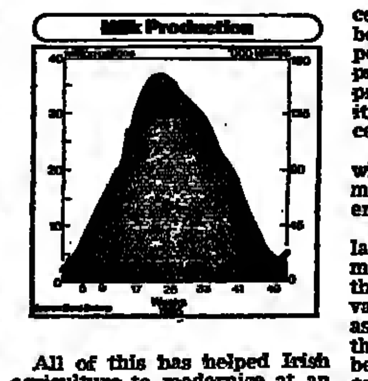
Moneypoint will be the flagship of the Electricity Supply Board (ESB) as it attempts to improve its woeful financial position, which saw losses of more than I£27m in 1984-85.

Hugh Carnegy

Agriculture

Fears on CAP reform

IRISH AGRICULTURE is suffering from the effects of two of the wettest years in a century but in the long run the economic storm clouds gathering over the European Community present a more serious threat, both for Ireland's farmers and its economy.



Last year the real income of farmers fell by 17 per cent as a result of the weather and price rednctions. However, if the EEC adopts some of the more drastic measures being suggested to cut food surpluses and reduca the Common Agricultural Policy (CAP) budget then worse may be on the wav.

In any reform of the CAP Ireland stands to lose more than most because it depends more beavily on farming than its fellow EEC members. Whereas 11.5 per cent of Irish gross domestic product is provided by agriculture, the figure for the Community as a whole is 3.8 per cent. And the percentage of its workforce employed in the sector—16.8—is twice that for the EEC overall.

Furthermore, the agricultural sectors under reform — beef, milk and cereals—account for three-quarters of Irish farming output, again higher than elsewhere.

Although they are unlikely to admit it, Ireland's farmers did relatively well when the EEC *milk superlevy system* was introdnced two years ago because they won more generous quotas than their counterparts in any other country. The European Commission's plan to start ending beef intervention next year provides a more serious challenge.

Beef is Ireland's biggest agricultural sector. Last year it represented 42 per cent of farming output in value terms and 90 per cent of it was exported. The country is heavily dependent on intervention sales.

Mr Austin Deasy, Agriculture Minister for the last three years, says the plan to end beef intervention is the CAP reform policy which Ireland opposes most vehemently.

But he can be expected to put up just as fierce opposition to any attempts to renationalise the CAP whereby the whola system of common prices, levies, rules and regulations could be dismantled.

In the context of the reforms debate it is easy to forget the gains Ireland has made by joining the EEC. Quite apart from the direct financial benefits — this year it will receive about I£900m (£796m) more than it puts in to the Community — membership has opened up enormous trade opportunities.

All of this has helped Irish agriculture to modernise at an unprecedented rate. Gains in efficiency tend to be masked by the survival of a large number of small-scale farmers but Ireland's top farmers are probably on a par with the best in Europe.

None the less since the EEC began introducing its prudent price policies in 1977 Irish farmers have suffered more than most. Professor Seamus Sheehy, of the Agricultural Economics Department in University College Dublin, calculates that as a result of inflation and exchange rate policies, the country's farmers in 1985 received 61 per cent of the amount they received in 1977 for their produce whereas the Community average was 76 per cent.

As an exporter of 60 per cent of agricultural output, he points out, there is a national interest over and above those of the farmers in maintaining agricultural prices as high as possible. "Each 10 per cent cut in prices at current levels of output would cost the economy through the balance of payments about I£150m with a multiplier effect of almost as great again on top."

In the past farmers have been abla to compensate for price falls by increasing export volumes but because of surpluses and the unsuitability of Ireland to diversify its agricultural commodity base this is no longer possible. The country must therefore make the most of what it has by improving marketing, adding value to basic products and boosting research and development.

Ireland has a poor record in diversifying its food products with each farming co-operative spending on average less than 1 per cent of turnover on Research and Development. This is largely because the sector has been cushioned by the EEC support system.

The Industrial Development Authority has set ambitious targets for improvement. It wants the proportion of processed beef to more than triple between 1985 and 1990 to 15 per cent of production. Tho present 80 per cent of dairy products exported as commodity sales should fall to 65 per cent, it says.

There is scepticism about whether these targets can be met but signs of progress are emerging.

Bord Bainne, the dairy board, last year set up an I£2.6m market development fund with the aim of increasing exports of value added products. As well as improving overall marketing the fund has enabled studies to be made on demand and technologies for products inclnding feta cheese, chocolata crumb and cheese powders.

The beef industry last year increased its exports of vacuum-packed products by 10 per cent to 22,562 tonnes and decreasd sales abroad of live cattle bv almost 20 per cent to I£311,930.

Meanwhile a small but growing number of co-operatives have been linking up with foreign companies in joint ventures with the aim of gaining technology transfers, capital injections and access to markets.

Commendable though all these efforts are, their impact will be felt in years rather than months and even then the effect will be limited.

In the coming months agriculture *minister* Deasy will have no shortage of advice as to his alternatives.

The Irish Farmers' Association says Ireland should back the idea of "supply management" whereby EEC farmers would be paid to take some of their land out of commission. Savings from reductions in the volume of intervention could be used to fund the scheme, it suggests.

Meanwhile Professor Sheehy, whose views are respected by both farmers and the Agriculture Ministry, recently suggested that EEC consumers, the main beneficiaries of CAP reform, should be made to bear the cost of funding an EEC compensation policy outside the CAP. A fraction of the savings consumers have made could be used for regional and structural initiatives, he says.

Mr Deasy says be will examine the plan but he will not entertain the idea that it could be a substitute for the CAP.

Normally known for his gloomy outlook Mr Deasy professes to be optimistic about the future for Irish agriculture. "The coming year will be difficult but matters will improve once stocks which are in surplus are seen to be reduced to tolerable levels," he says.

Mike Smith

Profile: Kerry Creameries

Food co-operative set to float

Six thousand farmers in the south west of Ireland are planning a trip to market but they will not be looking for buyers for their produce. Their aim is to become the first agricultural co-operative in the country to obtain a stock exchange listing.

The move by Kerry Co-op Creameries is being made to help fund its plan to become a major force in international food processing. It is also a significant step forward for Irish agriculture agri-business and for the country's 97-year-old co-operative movement.

In the 12 years since Ireland joined the EEC the agricultural sector has made impressive strides in production and efficiency but progress has been slow in broadening the range of products and developing markets for them.

Today, as agricultural commodity surpluses grow, there is more need than ever for research and development into food processing and marketing but funds are scarce because farm incomes are declining. By seeking outside investment, Kerry is showing one way forward.

Kerry's ability to seek a listing for Kerry Group Co-op plc, the company it has set up as a vehicle for the flotation is partly a result of its youth: set up just 12 years ago, it is less encumbered with inefficient and traditional attitudes than most and has more modern processing equipment. Chance, however, has also played a part in the success of the group.

Mr Denis Brosnan, managing director, says the turning point in the fortunes of the group was in 1978 when Kerry was chosen as a testing area *for brucellosis erradication* and thousands of cattle had ta be slaughtered.

"It was either going to be a disaster or a blessing," he says. "Our cow population was immediately cut by 20 per cent but we still had the same overheads. We were forced to reorganise."

Since 1978 the co-op has moved away from its reliance on dairy products. It now handles about 10 per cent of all beef slaughtered in Ireland together with a sixth of slaughtered pigs and 12 per cent of dairy output.

Kerry has also concentrated resources on developing and selling value added products, and last year it opened a I£2m (£1.8m) research facility next to its headquarters in Tralee with the aim of further integrating research, marketing and production.

Mr Brosnan reckons that the co-op spends more on R & D in milk processing than the rest af the Irish dairy sector combined.

Last year Kerry was Ireland's second largest co-op by sales with a turnover of I£211m (£199m), three quarters of which was generated abroad, and it made profits, which were not subject to tax, of £5.1m. In the next five years it plans to lift both sales and profits by 20 per cent annually.

Existing farmer shareholders and the co-op's 1,600 employees last month were offered—and took up—10 per cent of the co-op's equity. In September the group plans to sell a further 15 per cent at the Dublin Stock Exchange in a flotation which will value the group at between £70m and £80m. Investors are likely to be given further chances of buying stakes in the group at later dates.

Stockbrokers and agri-business analysts believe Kerry will have little difficulty with the sale of 15 per cent of the equity this summer, providing of course that the price is right.

Mike Smith

IRELAND 4

Profile: Jefferson Smurfit

In the hunt for extra growth

THE Jefferson Smurfit group, Ireland's biggest corporation, suffered a drop in profits to I£36.7m in the year to January 31 from I£51m but there is little sign of a lack of confidence about the paper, board and newsprint maker.

The company is predicting a return to record profits this year based on a recovery in its US activities where the bulk of Smurfit business now lies, and where most of last year's slippage took place.

It is also looking to expand in the US. Early this year it completed the purchase of 80 per cent of Publishers Paper Company from the Times Mirror Company for around $133m, making Smurfit the third biggest producer of newsprint in the US and the biggest in paper reclamation. Last month Michael Smurfit, the chairman, revealed that his company was one of several interested in acquiring Crown Zellerbach, a US forest product company under the control of Sir James Goldsmith.

"We are growth oriented. We are in the market to acquire more businesses," said Mr Howard Kilroy, Smurfit chief operations director at group headquarters in south Dublin.

Newsprint is something of a departure for Smurfit. The company, with stock exchange listings in London and Dublin and on NASDAQ in the US, has concentrated most of its growth in paper and board making, waste recycling and industrial packaging and does not intend to change this approach.

"It has been good to us. We seem to be able to do well with it so it would be foolish to change," said Mr Kilroy.

Jefferson Smurfit was founded 51 years ago by Mr Smurfit's father, making timber boxes and later corrugated containers. By 1968 the company was earning annual profits of about I£200,000. Some 10 years later, after expansion into the UK and then the US, profits were up to I£16m on sales of I£175m. In the year just reported, sales were up to I£914m.

Michael Smurfit, chairman of Jefferson Smurfit.

The company employs 7,300 people in the US, mainly in the eastern industrial belts and along the west coast. The strong dollar hit exports last year and led to over supply on home markets and this was reflected in a decline in Smurfit's operating assets in the US from I£367m in 1984-85 to I£280m in 1985-86 and a slump in profits from I£50m to I£32m. A lower dollar this year means exports are rising again and imports falling, so the outlook is said by the company to be much improved.

After the acquisition of Publishers, the company's debt-equity ratio had risen to 63 per cent, but Mr Kilroy said this was comfortable.

The slump in the US helped highlight slightly improved performance on home ground in Ireland where profits, up from I£9.4m to I£11.9m, contributed more than 55 per cent of group profits. Return on assets was the best of the major regions and all this at a time of severe economic recession in Ireland.

Ireland is one place where Smurfit has diversified outside it core businesses—into publishing, financial services, travel agency and computing, in part to show its commitment to its home base.

The company does have harsh words for government policy towards international companies, however. It argues strongly for a relaxation of taxation on income flow which in some circumstances can be as high as 80 per cent.

"The penalty of bringing US earnings back to Ireland is prohibitive and penal," Mr Smurfit wrote in this year's annual report.

Mr Kilroy says Smurfit has plans to grow in the UK, where profits declined in 1985-86 to I£1.8m compared with I£2.4m in 1984-85. It is also looking at Continental Europe. It regards its presence in Britain, where the company employs 1,400, as too small considering much of its share trading takes place in London.

Is there not a case for such a corporation, with an increasingly large balance of its business in the US, moving out of Ireland where operating conditions are not the most propitious?

Mr Kilroy's answer is firm. "We are not a faceless business, we are an Irish company run by Irishmen deeply committed to Ireland. Having an Idish identity sets us apart from other multinationals and that is good."

Hugh Carnegy

Tourism

Struggle against Gadaffi factor

IRISH COMEDIAN Hal Roach was coming to the end of his cabaret act in front of a largely American audience in Jury's Hotel, Dublin. He was now ready to deliver a line which was not aimed at producing a laugh.

"I hope I have helped you to forget about the troubles of the world," he said. "I hope you have been able to forget about Gadaffi and Chernobyl."

If he succeeded in his aim then the audience were doing better than their hosts in the Irish tourism industry. This year the effects of the US-Libyan relationship and the Soviet nuclear disaster have been uppermost in the minds of Irish hoteliers, retailers and transport operators as they have struggled to come to terms with a decline of up to 25 per cent in the number of Americans visiting their country.

The fall is all the harder to take because of the purchasing power of the US traveller. Americans do not form the largest group of tourists in Ireland but they are by far the biggest spenders: each one forks out on average three times that of the Briton and twice that of the continental European.

It could be a lot worse, however. Ireland can console itself with a lower cancellation rate than the rest of Europe. The country's losses are also from a higher base than it could normally expect because last year Americans boosted their spending in the Republic by a third, or twice as much as they did in Europe as a whole.

Furthermore, the numbers of British and continental European tourists are rising this year, again after strong increases in 1985.

Ireland's gains in tourism market shares in the last two years represent a reversal in fortunes. Since the 1960s its performance in tourism has been erratic and this year the total spend by foreign tourists will be little better in real terms than it was 20 years ago in spite of the world growth in overseas travel.

An unfair association with Northern Ireland terrorism in foreign public opinion has been partly responsible. But this has been compounded by a lack of investment, a dearth of entrepeneurial skills and a decline in price competitiveness.

Some of the problems have been unavoidable. Ireland will never be a prime tourist location because of its eccentric weather and because of its lack of a top draw such as Britain's royal family or Italy's Roman remains.

None the less there is general consensus that the country has failed to make the most of the natural advantages it has in its beauty, its history and the warmth of its people.

Last year the Government increased its contribution to the industry by lowering VAT on tourist-related goods and services such as accommodation from 23 per cent to 8 per cent. It also introduced I£2m hotel and guesthouse improvement grant scheme.

A White Paper on tourism said the Government was giving priory to the industry because of its export earnings potential — it accounts for about 7 per cent of foreign earnings — and because of its ability to create jobs in remote areas where other types of employment are sparse.

About 76,000 people were employed by tourism in 1985. The White Paper's strategy for boosting these figures further included:

- Intensification of schemes to improve the environment, such as the organisation of tidy district and recreational awards;
- Increases in concessionary finance for the industry;
- Concentrating marketing resources on promoting the off-peak season. One result of this was this year's Springtime in Ireland campaign mounted in Britain and the US.
- And development of brand marketing of products, such as the three hotel groupings which Bord Failte, the tourism board, is introducing;

Many in the industry considered the White Paper to be a wasted opportunity. In particular the Government was criticised for its acceptance that the rate of tourism growth in Ireland "might not match the world average," and for setting expansion targets this year and next of just 3.2 per cent and 2.7 per cent.

According to Mr Conor McCarthy, chairman of the Ryan Hotels group and president of the Irish Hotels Federation, an expansion of 15 per cent a year would be achievable if the Government was prepared to take a bigger role in promotion and marketing.

"It would require extra resources but there is a lot of under-utilised capacity in Ireland," he says.

"By everyone's agreement tourism is going to be a major growth industry worldwide in the next few years and we are close to three of the biggest markets—West Germany, the US and Britain."

In resisting calls for more spending the Government can point to the effects that increased expenditure would have on inflation, one of the major bugbears of Irish tourism in the last decade.

High inflation was behind a sharp fall in the country's share of European markets earlier this decade. In the early 1980s it combined with unfavourable exchange rates in the European Monetary System to produce a sharp erosion in price competitiveness and the number of continental visitors fell from 336,000 in 1980 to 286,000 in 1983.

Since then the Irish inflation rate has moved more into line with those of other countries and last year the 334,000 continental European who visited Ireland spent 15 per cent more in real terms than had visitors from the same countries in 1984.

The growth in earnings from British tourists last year was, at 6 per cent, less marked but in the last few months Ireland's performance in the UK market has received a boost with the introduction of cheap, unrestricted air fares by Ryanair and a lowering of ticket prices by other carriers including Aer Lingus, the national airline.

Tourism officials also believe that the signing of the Anglo Irish Treaty will improve trade because it has focused attention on the Republic and on the improvement in relations between the two countries.

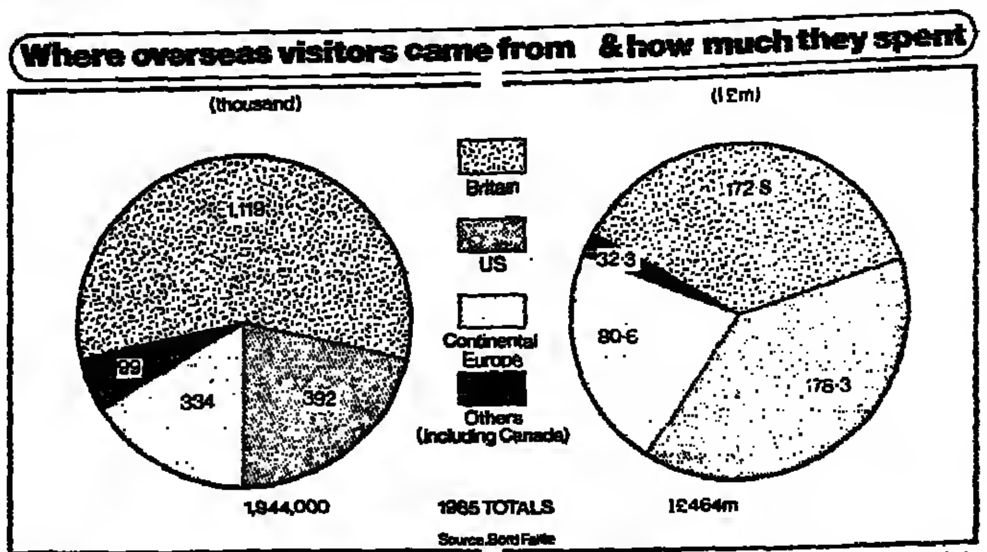
Whatever the growth is in the UK and continental markets it cannot compensate for the loss of US tourists and it is on the American market that the industry is concentrating its promotional efforts.

After the terrorist attacks on US citizens earlier this year and the subsequent bombing of Tripoli, Ireland was swift in moving to minimise losses. Bord Failte, the Irish tourist authority, set up a I£600,000 marketing programme and organised an 80-strong delegation task force to travel North America. The aim was to stress the safety of holidaying in Ireland because of its distance from the world's trouble spots.

Before the terrorism scare, Ireland had been expecting a slight increase in last year's record number of US tourists. That is no longer possible but Bord Failte is hoping losses can be kept down to between 15 and 20 per cent and expects no worse than a 25 per cent decline.

Undoubtedly the marketing programme will play a role but, frustratingly, the decisive factor is world terrorism and that is something the Irish tourist industry cannot influence.

Mike Smith



Receipts from day-trippers and carrier fares not included.

Fishing still attracts the tourists

Transport: Air

Fresh competition forces fare cuts

THE BATTLE of the Irish Sea is under way—or is it just a skirmish? It all depends on who you listen to.

Already this summer one fledgling airline has begun operating the first flights between England and Ireland which offer unrestricted cut-price tickets. Another plans flights from the new Knock Airport.

The new cut-price competition is behind recent ticket price reductions by the major air and sea carriers. But B & I shipping line and Aer Lingus, the two Irish companies on the route, say that in the long-run the newcomers are too small to harm them and they are sceptical about their chances of survival.

Ryanair and Celtic Air are, however, confident of success and both are planning expansion. Celtic Air, which hopes to start flying to Stansted and Manchester from Knock has relatively modest ambitions. In its first year it wants 2.5 per cent of the 2.2m return journeys made annually by sea and air between the UK and Eire.

Ryanair, which began flying from Waterford and Dublin to Luton in May, has set its sights on 30 per cent of air travellers between the two countries by the end of next year. The market will be much larger than last year's 1.7m one-way air passengers, it says, because although it will take customers from existing carriers, it will also create demand.

More competition could be on the way. Mr Richard Branson has said that he would like to fly his Virgin Atlantic airline into Ireland. Given his record, he would be almost certain to undercut the lowest fares. Its plans are still in the early stages, however. The route is just one of several it is considering in Europe.

Even without Virgin, the public is feeling the benefit of increased competition. In the second round of price cuts this summer, British Airways and Aer Lingus last week announced plans to reduce their cheapest Dublin-London return from I£95 (£62) to I£69. Dan Air applied to cut its cheapest fare from I£95 to I£74. Ordinary unrestricted returns remained at I£181.

Reasons cited for the reductions included the need to generate more traffic because of the reduction in passengers on the Atlantic routes. But few doubt that competition from Ryanair, now reviewing its I£94.99 on the Dublin-Luton run, was the major factor.

In its present form Ryanair presents little threat to the existing operators. Its two BAe 748 turbo-prop aircraft are flying between Britain and Ireland 62 times a week but, because they have only 50 seats, the impact is limited.

Encouraged by load factors of 86 per cent in the first six weeks of operations on its cut-price routes, however, the company is hoping to bring into service three 109-seat aircraft later this year and it has applied for licences to fly Dublin-Manchester, Shannon-London and Cork-London.

"We see ourselves as Ireland's second airline," says Mr Eugene O'Neill, managing director. "We envisage a stock market flotation in 1988 and in three years we expect to have a turnover of I£50m."

But why should Ryanair succeed where so many others have failed?

First, says Mr O'Neill, it has strong backing from two sons of Mr Tony Ryan, chairman of Guinness Peat Aviation, the highly successful aircraft leasing company. They own about 90 per cent of the company's authorised share capital of I£2m.

Second, Ryanair is, unlike its predecessors, flying to Luton, which is close to London. Thirdly, it is setting up at a time of growing pressure for the liberalisation of air routes.

Finally, tickets for its flights can be obtained up to take-off, whereas cheapest offers by the majors usually need to be booked at least a fortnight in advance.

Of the major airlines, Aer Lingus stands to lose most if Ryanair is as successful as it plans to be. The Irish national line derives about half its air transport revenue, which in 1985 was I£280m, from the British-Irish routes. It claims to carry about 60 per cent of air passengers between the two countries.

In 1985 the company made operating profits of more than I£30m but only I£500,000 of that came from air transport. The rest came from mainly non-airline business the group has built up over the last decade to decrease its dependence on its vulnerable core business.

Aer Lingus is facing reduced traffic on its Atlantic routes because of the boycott of Europe by American tourists, while it is having to start raising funds to renew its fleet over the next eight years. But Mr David Kennedy, managing director, does not think that Ryanair and Celtic Air present a serious threat to the company's fortunes.

The economics of operating airline services to and from Ireland are difficult, he says, because the Irish market is small and because traffic is highly dependent on tourism and is therefore highly seasonal. Ryanair will lose money, he says.

He is equally dismissive of Celtic Air. "I do not see a viable service coming out of Knock Airport."

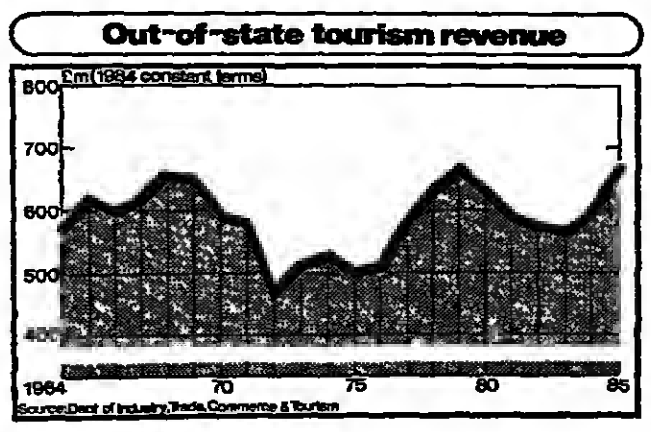
Mr Danny Higgins, a former Aer Lingus pilot now managing director of Celtic Air, aims to prove him wrong. The company, in which Mr Higgins is a major shareholder, aims to fly to Stansted and back seven times a week and to Manchester and back three times a week. It has also applied for licences to fly to Birmingham and Scotland.

Breakeven point will be reached if the company can achieve load factors of 70 per cent on its 44-seat aircraft, a target which many in the industry believe impossible because of the remoteness of Knock.

Mr Higgins says the airline's "reasonably priced" tickets — I£109 to Manchester and I£119 to Stansted — will find a ready market in tourists and in the large number of people who left the Connacht region to work in England and want to make return visits.

"We would be happy with 2.5 per cent of all British-Irish traffic in the first year but we could break even with just 23,000 passengers, which is just half of that."

Mike Smith



Transport: Sea

Fleets agree to share income

INCREASED competition in the air routes between the UK and Ireland contrasts with the scene at sea. The Irish state-owned B & I and Sealink, the privatised former subsidiary of British Rail, are the only two major surface operators on the routes. They recently decided to stop competing on most ticket prices and to split revenues from ticket sales equally.

The agreement has been viewed critically, particularly as the number of sailings has been reduced. But Mr Alex Spain, managing director of B & I, says it was essential.

"We had to have an agreement or one of us would not have survived on the routes," he says.

In the early 1980s the companies engaged in heavy price competition prior to Sealink's privatisation. This helped them to win traffic from the airlines but it also hit profitability. B & I lost I£8.4m (£7.3m) in 1984 and I£6m in 1985.

Mr Spain, an accountant, was appointed head of the company last May with the brief of making it profitable by the end of next year and ensuring its survival. This he is confident of doing.

Apart from the Sealink deal, other strategies in Mr Spain's survival plan have been a reduction of 25 per cent of the workforce, which now stands at about 1,500, and an improvement in the quality of the ferries. The first fruits of this refurbishment have been a I£6m refit of the Leinster and the Connacht.

The refurbishment is important because, in spite of the agreement with Sealink, the company still needs as many passengers as it can get. About a third of the I£50m it makes from passengers each year comes from what it can sell to them on the boats, such as duty free goods. Better quality ships also increase B and I's chances of taking customers from the airlines.

This week B & I and Sealink are considering a range of fare reductions in response to the proposed airline ticket price reductions. But Mr Spain believes that next year's profitability is not under threat from the increased competition from the airlines.

"Two-thirds of our trade is car accompanies and that is the growing end of the business," he says. And the increased competition might stimulate new business.

Mike Smith

MANAGEMENT: Small Business

EDITED BY CHRISTOPHER LORENZ

Workers' co-operatives

Poor standards of advice

William Dawkins reports on weaknesses in the movement's training

THE DEVELOPMENT of workers' co-operatives in Britain risks being seriously hampered by the poor quality of advice they get, according to the latest study into the sector.

Most of the UK's 1,300 workers' co-operatives — employee-owned ventores run on strict democratic principles—are formed with the help of Co-operative Development Agencies (CDAs), publicly funded advisory and assistance bodies. The number of CDAs has grown to about 100 since the first opened in 1977, but they teod to be unprofessionally managed, lack clear strategies aod give advice whicb is at best of only general value to small businesses, mointains the report's author, Stephen Lord.

"Some co-ops are being established which are economically weak and vulnerable. Tbe investmeot of considerable staff and financial resources ls wasted aod no service is being done to people working in such co-ops," says Lord, eorporate marketing manager for the London Borough of Hammersmith and Fulham.

His survey, based on lnterviews with the staff of five CDAs in London and the co-ops in their care, showed that the agencies were good ot making people confident about going into business, but poor at belping them tackle practical management problems. The wider moral is that it is bard to inject socially oriented small business initiatives with hard commercial purposes.

"It was not until a number of them (co-ops) bad started trading, that they realised the limitations of the marketing and financial planning and book-keeplng advice they bod received," says Lord. Even more serious, potential co-ops got no advice on whether or not they were suitable to go into husiness in the first place.

Co-op managers felt they got a good grounding in business basics from CDAs, but less belp on more specific matters. Lord blames this not so much on individual CDA staff as on the generalised and directionless fashion in which agencies are organised.

To take a small example, co-ops complained they had no idea who within their respective CDAs was financially and morally responsible for their individoal projects. Agencies need, adds Lord, to find out what specific skills co-ops want to be taught rather than just making up programmes based on CDA's own perceptions.

Once that has been achieved, CDA staff should be given more professional training than they now get—and it should be in specialist business areas rather than general ones. "It is a matter of concern that the issues of how the planning and control of the work of the agencles occurs bove not taken place," says Lord.

There was o elear need for agencies to produce and implement an organised development plan. It should cover matters like the provision of starter workshops for co-ops, how the agencies should market themselves, training for prospective co-ops, secure long term funding fnr CDAs, the development of e network of specialist advisers and the cultivation of links between CDAs—now almost non-existent—and nther local business organisations.

But the chance of that bappening looks slim. "There seems little evidence," says Lord, "of CDAs possessing the management structure or skills effectively to implement such a plan, even if one was drawn up."

The Effectiveness of Co-operative Development Agencies — an Evaluation. £11.50 from Stephen Lord, 109 Bow Road, London E3 2AN.

Co-operative marketing initiative

BRITAIN'S Co-operative Developmeot Agency bas launched a new kind of co-operative to help small businesses market their products more effectively by joining forces.

The CDA, the umbrella body for local co-operative ageocies, has opened eight so-called marketing co-ops around the UK since last November and plans within the next month to unveil the ninth and largest, a furniture sbowroom for 70 small designers grouped together as the Independent Designers' Federation.

The Idea is that they pool their resources in a structure where all members have equal voting rights so that they can jointly summon more marketing clout than would be possible if tbey octed individually. Tbe costs of the furniture group, based in North Loodon, have been guaranteed by a large, unidentified retailer and Camden borough council.

The co-op's initial staff of five will sell members' products both in the UK and internationally. Running costs will be met from sales commissions, expected to reach £50,000 on o joint turnover of £1.5m in the first year, rising to £170,000 on sales of £4m in year two.

"There are people wbo reallse that they bave to give a lot of time to marketing themselves wben their real skills are designing furniture," says Derek Oakley, the CDA's developmeot officer. The CDA itself will play a band-holding role, providing legal belp and ensuring thot co-ops keep up to scratcb on accounting and marketing budgets.

The exercise, assisted by a £10,000 grant from the Department of Empoyment, is modelled on Itolian consorzi, organisations founded in the late 1960s to belp co-ops to improve efficiency and marketing, and to obtain credit and better buying terms. But ironically, the CDA's Britisb version of consorzi has proved far more popular with non co-op businesses than with its intended targets.

Most of the 2,000 members (typically much smaller than the Independent Designers' Federation partieipants) of the eight market co-ops set up so far are conventionally run businesses. They cover services ranging from legal advice to printing, food and crafts.

"It took off in o direction which we frankly did not expect," says George Jones, director of the CDA. "At least," be adds, "it belps to get the co-op concept across to areas it wouldn't normally reach." Ten more marketing co-ops are in the CDA pipeline; an indlcation of the extent to which the question of bow to tackle this lmportant management discipline is at the centre of small businessmen's minds wbether they run co-ops or not.

Details from the CDA, 21 Panton Street, London SW1. Telephone 01-637 4890.

In brief . . .

THE ADVISORY Committee on Telecommunications for Small Businesses has published a free booklet to help managers choose new telephones, a decision which gets less easy as equipment gets more complicated.

The booklet takes the buyer through the procedures needed to acquire telephones of varying technical standards, explains the difference between key telephone systems and PBX among other technical jargon and points out the various licences required.

Does Your Business Need a New Telephone System? comes from the committee at Atlantic House, Holborn Viaduct, London EC1 2HQ.

●

WANT TO buy a company? *Find out how in the latest* free booklet from accountants Arthur Young, Acquisitions and Disposals.

It takes purchasers through typical deals in easy steps and also includes e chapter on selling. The booklet provides basie advice on how to go about ldentifying suitable buyers or sellers and how to negotiate and structure transactions. Coples from Richard Mead, partner in charge of Arthur Young's corporate development group, Rolls House, 7 Rolls Building, Fetter Lane, London EC4A 1NH.

●

HAMBROS Advanced Technology Trust (Hatt), the high technology arm of the merchant bank, brings a glimmer of cheer to British venture capital by recording a 21 per cent increase in its net asset valne for the year to March.

That brings the unrealised appreciation of the group's 23-venture-strong portfolio to £10.3m, as against lts £5.6m valne at cost. Adding in the £899,000 realised through share sales, Hatt claims an annual compound growth rate of 45 per cent since it got off the ground in 1982—and that is after two company collapses.

As is typical in risk investment, most of the growth comes from just three ventures: Racal-Millicom, a cellular radiotelephone business; Telematics International, a supplier of programmable communications switches; and Alphameric, the largest maker of computer terminal keyboards in Britain.

Hatt invested £881,000 in six new ventures last year and ploughed another £1m into existing ones—a cautious approach to new commitments which reflects widespread overpricing of better quality deals. But that is now changing, says Harry Fitzgibbons, managing director of the trust.

"Traces of sceptieism toward venture investment in British technology are visible in the City," ha writes in Hatt's annual report, "and that augurs well for a less competitive atmosphere and more realistie pricing in the future."

●

LLOYDS BANK is offering reduced interest rates to borrowers under the Government's Loan Guarantee Scheme.

LGS borrowers normally have to pay a 2.5 per cent premium over small business rates in exchange for the Government's 70 per cent guarantee. Lloyds is now prepared to offer a 0.25 percentage point annual cut in the second and subseqnent years of the loan — redneing the cost to 1.75 points over base rate — so long as borrowers present management accounts promptly and keep in line with profit and growth objectives.

Branch managers will also from now on recommend in appropriate cases a free one-day visit and report by the bank's Business Advisory Service, which belps enterprises get to grips with management and financial problems.

●

PEOPLE WHO sometimes find venture capitalists hard to understand will benefit from the latest offering from 3i (Investors in Industry).

3i's guide to venture capital jargon, entitled "from amber light to yield—an a-y of venturespeak," is a funny and informative route through the maze of jargon that has bollt np with the risk finance market's expansion in recent years.

Some venturespeak is handy shorthand for complicated ldeas, but a lot of it is just baffling. What, for instance, do you expect if your venture capltalist speaks of reversing his pearls into a shell before exiting?

3i's guide makes it clear. It means be intends to arrange for a successful unquoted company to be taken over by a defunct listed Malaysian rubber plantation as a cheap way of fixing a flotation. Copies are free from Wendy Millard, Investors in Industry, 91 Waterloo Road, London SE1 8XP. Telephane 01-928 7822.

Help for a long haul

Ian Hamilton Fazey reports on MSC assistance for a safari company

Julian McIntosh: jacks inflated by a vehicle's own exhaust emission are one of his specialist range for equipping safaris

JULIAN McIntosh was struggling to get off the dole and establish a new business in 1984, when tha Enterprise Allowance Scheme (EAS) came along. It turned ont to ba one of two critical pieces of government sponsored aid thot belped him on his chosen path as o specialist supplier of safari equipment.

Under the EAS he got £40 a week for a year to add to tbe £8,000 of sales be made in 1983-84. Although this was critical actually to getting him off the ground, what really tben boosted his growth was professional coaching by Manchester Business School under an MSC-funded scheme called Firm Start. It involved an intensive, one-week residential course and 10 months of follow-up via seminars and counselling.

This opened bis eyes to management techniques for o small business and enabled him tn fund and refine his marketing. The results were immediate: be turned over £32,000 in 1984-85 and bas just finished his third financial year with sales of £47,500.

This month he has taken on a second employee to help his girlfriend Julie Curtis, who joined him in the business last year, to belp him cope with growth. This has seen him move the business out of his bome in Stockport into two rooms in a new factory unit in tba town.

McIntosb's business is called Safariquip ond it does wbat its name suggets — equips safaris, or anyone else planning long, overland travel. The corporate and institutional market — involving expeditions and surveys for oil or minerals, or other projects in the third world — is just beginning to open up for him too.

His idea was born out of the difficulties be experienced when be went exploring Africa by Land Rover and climbing mountains there in the 1970s. It took him two years to prepare for tbe trip. There was no single source of belp, advice or supplies. Tbis gave him the first inkling that there might be a market. Was it, he asked himself, the same for all similor overland travellers, whether going on safari, travelling for fun, mounting geographical expeditions or even prospecting for minerals?

Experience, he was to discover, showed that anyone travelling long distances over rough terrain and llving in the bush for long periods while doing so, needed much the same sort of equipment and advice. Much of the equipment, though basic, is special enough to be scattered among many different sources and difficult to obtain in total because of the problems involved in tracking down all the individual sources.

His other discoveries during his African safari included the disconcerting fact that roof-racks on vehicles destroy the points at which they ore anchored during the course of 21,000 miles of driving over rough ground. The solntion as he saw it was to find better-designed and more easily stowable items in the first place, as well as redesigning stowage focilities inside the vehicle. He re-built his vehicle from the cbassis up during two years in South Africa, funding his work by taking a job as a middle manager in a mining company. He then, over a further two year period, returned bome, learning yet more about travelling and rough driving.

It was redundancy, after a variety of jobs, that pushed him finally into making his move. "I decided to market my skills as a traveller. Many people need to know how to do it, I put an od in 'The Traveller' magazine, offering eqnipment and advice and started to pick up business very gradually."

Initially, be could not afford to carry stock so acted os an equipment broker. It was a struggle and he was in "dire financial straits" until acceptance on the Enterprise Allowance Scheme allowed him to produce a proper printed eatalogue. As sales grew and he accumulated stock he soon realised that items like machetes and maps which people struggled to find elsewhere sold much better than more widely availoble cooking stoves.

McIntosh says: "Withont the Enterprise Allowance Scheme I might never bave achieved lift-off. It gave me enough money to live on wbile I put all the resources I could into my catalogue. Acceptance on the Firm Start programme at the business school took me to the next stage. It got me out of being a cottage industry into something professional."

Firm Start also provided £1,250 for market research and promotion. The money went into his current catalogue which, apart from listing goods for sale, is full of travellers' tips, anneedotes, warnings, advice and very useful checklists.

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BL chairman reveals financial deterioration

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

BL'S NEW chairman, Mr Graham Day, gave a warning at yesterday's annual meeting that there was a "significant deterioration in the overall financial performance" in the first half of this year compared with the same period of 1985, when the group's net loss reached £44.8m.

But Mr Day said that he still did not know whether the state-owned group would need more government cash. The first results of the "operations audit" on all BL companies ordered by Mr Day will not show up for another few weeks.

BL is to go ahead with the sale of a majority stake in the Uoipart car spare parts business "within a couple of months," said Mr Day, and he made it clear that one important reason was that BL needed the money.

"In the public sector there is a lack of management freedom. We bave limited ability of raise money – either from the banks or Government. We do not have an easy time raising money for this business," said Mr Day, and he suggested BL's investmeot programme was severely constrained by lack of cash.

Unipart was due to be sold back to the private sector last November but problems in the Edmunds Walker parts distribution business, bought for £15m in August. 1984, proved more difficult than expected.

Mr Day indicated yesterday that BL will retain a substantial minority interest in Unipart – between 25 and 30 per cent – so as to bave a representabve on the board and a say io the company's affairs. The rest of the equity is to be sold to a group of financial institutions headed by Charterhouse Japbet.

Mr Day also reported that Mr Ray Horrocks, the BL director until recently responsible for the cars division, has resigned from the group. This follows the departure last month of Mr David Andrews, formerly chief executive of the commercial vehicles division, and leaves BL with only one executive director – Mr Day himself.

Shareholders showed their dissatisfaction with the performance of the BL board by voting beavily in favour of a censure motion, both by show of bands during the threebour meeting, and in a poll in which 849,096 votes were cast in favour and 611,481 against. Once the Government's proxies were added, bowever, the censure motion was defeated by holders of 99.98 per cent of the shares. The Government owns 99.7 per cent of BL's shares.

Neither did Mr Day get a clear run in the vote to change the group's name from BL to the Rover Group. He did not get the necessary 75 per cent majority on a show-of-hands but the poll produced 99.99 per ceot in favour once the Government's proxy was counted.

Mr Day reminded shareholders the group has two important launches to make in the US in the near future (the new Rover 800 saloon, to be called the Sterling in the US, and the Range Rover). "I would prefer oot to remind people there of the problems (associated with the old British Leyland and BL oames) of 10 years ago."

When a shareholder suggested BL was "a ridiculous name in the first place," Mr Day retorted: "May I say amen to that."

Mr Day later revealed that be has bougbt £800 worth of BL shares (at 41p each) because at the meeting be wanted to be in a position to tell shareholders: "I'd put some of my money where my mouth is."

NEW TYPE OF SUSPENSION TO BE DEVELOPED

Lotus and Moog form venture

BY JOHN GRIFFITHS

A JOINT venture to develop and manufacture the revolutionary "active" vehicle suspensioo system of Group Lotus bas been formed by the General Motors-owned car maker and Moog, the US electronics and aerospace control systems manufacturer.

The venture is aimed at capitalising on what is acknowledged throughout the motor industry to be a major technology breakthrough. The UK-based Lotus – acquired by General Motors at the start of this year – believes it has secured adequate worldwide patent protectioo.

The venture, via a new jointly owned company called Moog Lotus Systems Inc, will include the setting up of facilities to manufacture the systems in North America and in the Far East.

The computer-controlled systems were conceived originally for cars and Lotus is continuing to develop them for motor manufacturers such as Geoeral Motors, Peugeot and Volvo.

It is now known that the poteotial applications are far wider, embracing trucks, buses, aircraft landing gear and military vehicles such as tanks.

Several confidential development engineering contracts are understood to bave been signed recently between Lotus and military and aerospace concerns.

"The concept bas emerged as capable of spanning anything that moves," Mr Michael Kimberley, Lotus chief executive, said yesterday.

In the car application, shock absorbers and springs are discarded in favour of small bydraulic rams at each wheel capable of operating at 250 Hz and linked to vehicle attitude sensors and a computer. The system is programmable, even to the point where the car can be made in bank into a corner like an aircraft.

Few in the industry doubt that "active" suspension will be standard oo all cars by the turn of the century.

In different configurations, the system could be used, for example, to suspend a tank body independently of its drive mechanism, allowing the tank to cross rougb country with minimum jolting. It could also be used to insulate aircraft frames from the shock of landing and runway surface irregularities.

Lotus is working on a number of other applications, including "active" steering. In this, a car's steering wheel would no longer be linked pbysically to the road wheels. Instead, the turn of the wheel would feed digitised information to the onboard computer which itself controls the wheels.

Bids made for airborne warning contract

By David Buchan

SEVEN Britisb and US companies yesterday submitted final bids to the Ministry of Defence to win the cootract to supply Britain with an Airborne Early Warning (AEW) system.

GEC Avionics, which has so far been struggling for nine years to develop an AEW system, has put in details of bow it plans to improve its radar and incorporate it into the Nimrod aircraft, if the Government allows it to keep its contract.

Bidding to displace GEC wholly or partially on the AEW contract are Boeing, Grumman and Lockheed of the US; and from the UK Airship Industries, Pilatus Britten Norman from the Isle of Wight and MEL of Crawley, a Phillips subsidiary.

The serious contenders to GEC's bid to complete its AEW system, that has so far cost some £900m in taxpayers' money, are the three US aircraft companies. They are offering complete radar and aircraft systems. Airship Industries is offering only an AEW platform, and a slow one at that, while the other two UK contenders are apparently just bidding for some of the fitting work that may arise, if GEC is displaced in favour of a US system.

A Government decision on the controversial AEW project was originally expected late this month. But this timetable may slip, particularly in view of the fact that GEC has been given until early September to show what technical progress it has made on its radar, though like its rivals, it bad to submit final financial proposals yesterday.

The competition to supply Britain with an AEW system started with last March's decision by the MoD to give GEC, the current contractor, six months to show it could iron out the many remaining problems in its radar tracking and targetting system, and meanwhile to eotertain rival bids from other companies.

If it can satisfy the Royal Air Force that it has at last solved or is well on the road to solving the radar problems, GEC is likely to keep the contract.

The Government has required of the US hidders proposals to cover 100 per cent of the value of their AEW systems with offset work to British industry over a period of five years.

BA passenger traffic increases for first time since Libya crisis

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

BRITISH Airways' business on the North Atlantic and elsewhere in the world is now recovering from the downturn experienced earlier this summer, and top management is viewing the future with "guarded optimism".

Mr Colin Marshall, chief executive, said yesterday: "There have been a number of indications from around the world that the worst may be over, and that our business is returning to normal".

In the week to June 29, the total number of BA passengers on scheduled flights worldwide was 1 per cent ahead of the corresponding week last year – "the first time since the Libyan crisis that we have reported a growth in numbers over last year".

For the financial year from April 1 to date, cumulative passenger business was still down by about 5 per ceot, with revenue down about 12 per cent, or some £80m – although part of that figure had been offset by cost-saving measures. BA nevertheless still earned pre-tax profits in April and May, although Mr Marshall declined to give figures.

"While we are oot claiming 1986 as a vintage or even a good year, things are by no means as bad as some reports would imply," Mr Marshall said. "Certainly our mood today, with nearly three-quarters of our financial year still to run, is one of guarded optimism."

In the US, a few weeks ago, business was down 25 per cent on last year's levels. "Already we have pulled back to about 10 per cent below last year, and our current level of forward bookings is rigbt back to normal for the time of year."

In South America business was good. Southern African services were doing well, and the Middle East was showing a recovery.

"India has had its troubles, but traffic to Iodia and Pakistan is now doing well. In the Far East, we are doing well with business travel to Hong Kong, and traffic to Peking is up 30 per cent oo 1985.

"Nearer home, our busioess in and out of the Continent has recovered to last year's level, and individual routes are doing substantially better."

But traffic to Paris, normally a route on which BA carries many US visitors, is down 11 per ceot. Traffic to Amsterdam, however, which is less dependeot on US travellers, is up 5 per cent.

Mr Marshall also said that early teething troubles with the new Terminal Four at Heathrow were now responding to treatment. A recent sample of passengers interviewed indicated that some 90 per cent of them preferred Terminal Four to the former central area terminals used by BA.

Private sector plans to aid inner cities

BY ROBIN PAULEY

THE GOVERNMENT is close to announcing two major inner-city initiatives in which private sector companies will play a pivotal role in regeoerating derelict urban sites.

The first, whicb bas the planning name Phoenix, is likely to be called The National Task Force and will be chaired by Sir Nigel Broackes, chairman of Trafalgar House.

It has beeo formed by the so-called Group of Eigbt construction companies, which is now in fact a group of 11, led by Lord McAlpine, a partner of Sir Robert McAlpine and Sons, and a similar group of building materials companies led by Sir Colin Corness, chairman of Redland, wbo will become Sir Nigel's deputy chairman in the Task Force.

The group has the support of the Prime Minister, who is close to Lord McAlpine as Conservative Party treasurer. Sir Nigel Broackes was the first chairman of the London Docklands Development Corporation set up by the Government in 1981.

But it is not clear whether the Government support will stretch to special extra fuods. If not, the organisers hope the Task Force will become the vehicle for the new Urban Regeneration Grants – a part of the Government's urban aid programme which will be available only to private sector projects.

However, the group is anxious to involve both financial institutions and local authorities in its projects and is currently trying to attract banks into the organisation.

They hope to undertake joint projects with local authorities, perhaps using urban development grants for joint public-private sector projects, whereby the council will give them the land, on whicb they will build mixed commercial and residential developments, splitting the profits with the council.

The second initiative, named Probe – Partnership for the Renewal Of the British Environment – is an attempt led by the Nationwide Building Society and builders Y. J. Lovell to develop a new strategy for providing a mix of bousing in the inner cities which will cater particularly for people wishing to reot medium-cost private sector houses and flats.

Probe is also hoping for cash aid from the Government but the Treasury is likely to resist both groups.

Plastics profits expected to improve

By Tony Jackson

THE UK plastics Industry looks for better sales and profits in the next 12 months, says a survey from the British Plastics Federatioo (BPF).

Plastics suppliers, makers of basic materials such as polythene and PVC, all expect sales volume to be at least as high in the 12 months to May 1987 as in the previous 12 months. Most expect volume to rise, though by less than 5 per cent.

Most suppliers reported a fall in their pre-tax profit margins io the year to May 1986 – the first such fall in the four years the BPF has conducted the survey. Over 60 per cent, however, expect the trend to reverse in the coming year.

This is despite the fact that a large majority – 70 per cent – expect their selling prices to drop in the coming 12 months. Prices for raw materials, naphtha especially, have fallen sharply this year with the collapse in the oil price. ft would appear that plastics producers expect those prices to stay low.

There is also an improved outlook for plastics processors.

The latest survey shows 37 per ceot of processors claiming increases in sales volume last year of over 10 per cent

Sanctions urged by Church of England

THE CHURCH of England's General Synod – its ruling body – voted overwhelmingly yesterday to urge the British Government to impose effective economic sanctions against South Africa.

Despite calls for pressure on the South African Government without sanctions, the synod voted in favour of sanctions by 394 votes to 21 with 12 abstentions.

The synod rejected a motion condemning all acts of violence in South Africa, whether inspired by black or white people.

The Bishop of Coventry, the Rt Rev Simon Barrogton-Ward, who moved the pro-sanction motion, said that anything the African National Congress had done in the way of violence "was tiny compared with the enormous machinery of state violence."

The Archbishop of Canterbury, Dr Robert Runcie, supported the introduction of sanctions.

□ MIDLAND BANK launched what it claimed was the first share shop to be run by a high street bank. At Midland's branch io New Street, Birmingham, investors will be able to buy and sell shares and unit trusts, get information about market dealings and prices, and receive research and investment advice.

□ SIGNS of a difficult year in the UK tractor market have been confirmed, with sales for the first six months down 26 per cent oo the same period in 1985. The figures are somewhat distorted because last year farmers rushed in to buy tractors before reductions in capital allowances took effect.

□ MEMBERS of the Management Consultancies Association (MCA), whicb last year increased their business by 40 per cent, have reported that in the first half of 1986 there are indications that the upward trend has continued.

□ A NEW package of post-Big Bang training courses and examination syllabuses for London's stock market professionals was announced by Sir Nicholas Goodison, chairman of the Stock Exchange. Devised by the exchange in tandem with the City University and Henley Distance Learning, the courses will prepare rank-and-file traders and aspiring stock exchange members for a new three-tier examination system.

Businesses For Sale

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Contracts and Tenders

KINGDOM OF SAUDI ARABIA
SAUDI ARABIAN NATIONAL GUARD
INVITATION FOR TENDERS

The Saudi Arabian National Guard invites qualified companies to submit tenders for a 3 year contract to Operate and Manage the King Khalid Hospital and Medical City, a 300-bed specialty teaching hospital complex currently in operation in Jeddah, Saudi Arabia.

The King Khalid Hospital conducts a program of post graduate medical education which has as its objective the preparation of Saudi physicians for Western and Arabic specialty credentials. This program requires that the Contractor for Operations and Management to conduct patient care and education at standards acceptable to the relevant authorities providing such credentials. It also requires that the Contractor, on behalf of the Hospital, develop and maintain affiliations with reputable teaching hospitals in Western countries.

Consequently, Companies to be considered for contract award will be required to demonstrate:

1. The Existance of an established capability in a Western country for developing and maintaining affiliations with reputable teaching hospitals.
2. Successful experience, during the four years immediately prior to the date of tendering, in the management and operation of one or more teaching hospitals of at least 200 beds, or of at least five acute-care hospitals, one of which must be of 200 beds or more.
3. Successful performance in the international recruitment of medical personnel.
4. The existence, at the time of tendering, of a professionally staffed central office capable of mobilizing for the project and of providing ongoing management and professional support.
5. Past experience of handling projects of 100 million or more and the availability of at least S.R. 25 million of working capital.

Preference will be given to companies with successful experience in the management of teaching hospitals.

Tenders will be considered from:

1. Saudi Companies.
2. Foreign Companies with Saudi Sponsors, and
3. Two or more Companies tendering jointly, provided that the Companies named demonstrate a commitment to form a Joint Venture Company to accept any contract award.

When evaluating tenders submitted by Joint Ventures, either existing or to be formed, consideration will be given to the qualifications of only those Companies that will bear the financial risk for a minimum of 25% of the project.

The National Guard will not review or evaluate any tender submitted by a Company that does not meet all of the qualifications stated above.

Request for Proposal documents may be obtained from

Tenders Department, Saudi Arabian National Guard,
Western Region, Jeddah Tel:671-1334/5 Tlx: 601241 on or after
23/7/1986 AD – 16/11/1406 H, for the amount of one hundred and fifty thousand Saudi Riyals (SR. 150,000). Tenders must be submitted by 27/9/1986 AD – 23/1/1407 H.

TECHNOLOGY

The cousins Bellot steal a march on rivals by bringing advanced automation to centuries-old milling processes. **David Marsh**, in Paris, reports.

Revival of the Fittest

100 mph flour from the old mill by the stream

JEAN-PAUL BELLOT, co-director of a family flour-milling company in western France, makes a leap of 50 years in technological innovation just by driving along the river.

At the smaller of the company's two mills on the Sèvres river west of Poitiers, water wheels provide power to drive pre-war wood-cased milling machinery. Wheat grains and the gradually separated flour are channelled around the system in wooden pipes by a network of charmingly creaking bucket elevators.

Around the up-to-date site a few miles upstream at the company's base near the town of Saint-Maixent, moorhens still totter over the willow lined river banks.

But inside the mill, flour driven by compressed air whizzes round the modern processing machinery at more than 100 mph. And a newly-installed computerised system automatically measures and mixes different flour varieties in tailor-made qualities and quantities for the company's customers of more than 150 bakers and biscuit manufacturers.

Improved processing techniques brought in over the last few years have dramatically altered the shape of the centry-old business.

With closer checking and control of flour quality, the company has been able to move up-market by boosting by 20 per cent in the last two years its sales of higher-priced flour to biscuit factories. It has also been able to enlarge its range of flours sold to export markets in the Middle East and Africa, which now account for about 10 per cent of sales.

"It has been an undeniable success," says Bellot, 38, who runs the company with his cousin Gerard, 48. "In investment terms we are a step ahead of other companies."

The Saint-Maixent plant is at present running for 24 hours a day six days a week. Remote-controlled mixing and weighing processes shuttle different flour types along a jungle of pipes and silos.

The new system was installed by Guerin, a FFr 45m-a-year-turnover French company which formerly made traditional agricultural equipment and now specialises in industrial engineering processes. It has installed similar technology for mechanising and controlling flows of foodstuffs such as milk and coffee powders for companies like Nestle and BSN-Gervais Danone, both in France and abroad. Guerin's turn-key systems, linking together electronically steered weighing machines and sorting processes, have also been used in the chemical industry.

In contrast to the days when sacks were laboriously lugged around by burly mill-hands, the Bellot plant needs only one worker per shift to supervise milling, over a 24 hour period, of 60 tonnes of grain. When a sophisticated alarm system indicates a blockage, Gerard — the current chairman (they take it in turns to be chairman and managing director) — resorts, however, to the age-old remedy of banging the pipework with a rubber hammer.

The Bellots, the fourth generation of the family to carry on the milling tradition, are currently having to turn down extra biscuit company orders because capacity is already stretched to the limit.

The two cousins plan over the next few years to close the first mill, at Saint Gelais, acquired from another local family company after the owner died two years ago, and build a new facility close to the site.

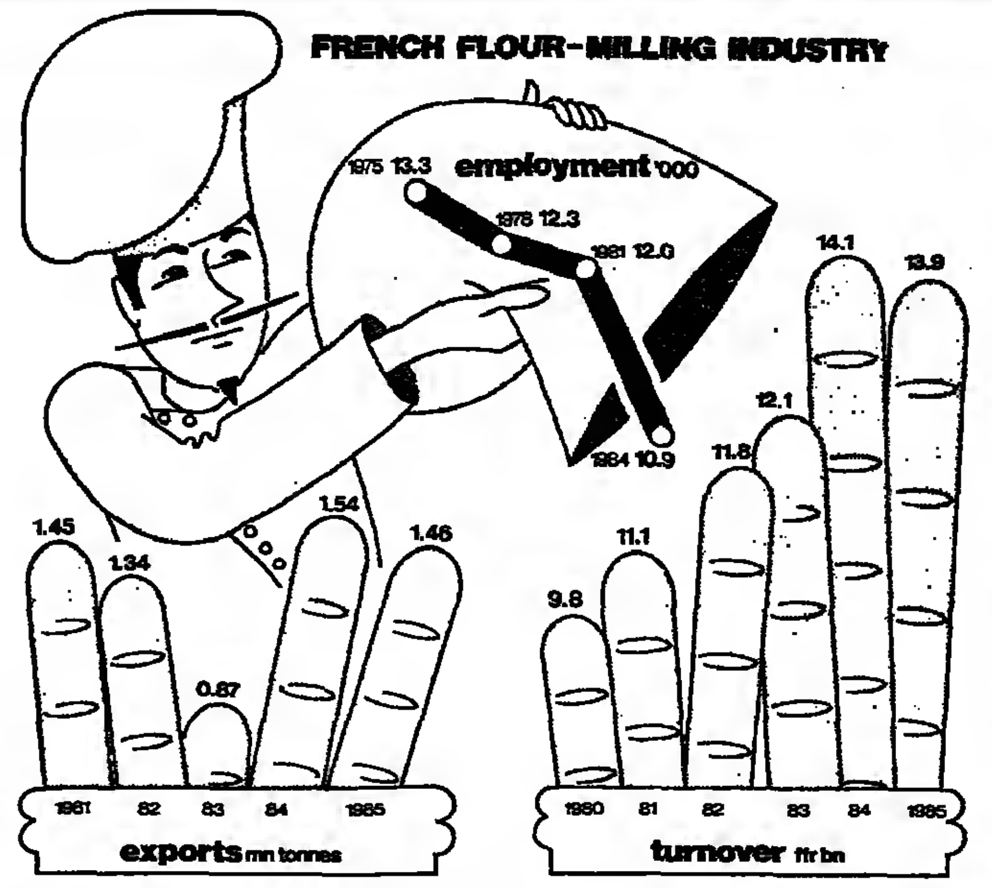
The mill itself — which Jean-Paul Bellot says is economic to run as he is spending hardly anything on maintenance—will probably be kept intact as a museum-piece. The water wheels will be kept going to provide electricity for the new installation.

They took over the firm from their fathers during the 1970s. Now in their 80s, the two former owners sometimes shake their heads over the march of progress, Jean-Paul says.

The Bellots grind 16,000 tonnes of wheat a year producing 12,000 tonnes of flour), nearly five times the amount when Jean-Paul entered the firm in *1969*. Annual turnover is now FFr 50m, up 27 per cent over the last year.

The company makes a small net profit of 1 to 2 per cent of sales preferring to plough returns into investment which is running at about FFr 1.5m to FFr 2m a year.

The basic principles of flour-processing have not changed since the era of water-mills invented by the Romans. (Windmills came later, introduced from the Middle East by the Crusaders.)



The complex ingredients of individual wheat grains—each ear contains 45 to 60—are gradually separated into flour, bran and other products such as wheat-germ through a grinding process.

Formerly *carried out through* stone wheels, however, this is now accomplished by passing grain through banks of twin metal cylindrical drums rotating in opposite directions. Flour and by-products are fed and recirculated through a system of increasingly fine flutings and sieves before being dispatched, either in sacks or, more often, through tanker lorries, to the baker.

The Saint-Maixent site switched in 1927 to cylinders from the old stone wheels. These are now nostalgically propped up at the side of the building where the Bellots' *lorry fleet* which *sometimes* faces difficulties manouvering round the country lanes—pulls up every day.

The Bellots already modernised the basic mill part of Saint-Maixent in a FFr 1.5m investment completed in 1980.

The land-breaking move to install computerised mixing machinery was decided in 1983 after the Bellots studied the problem of adapting their flour products to the increasingly detailed requirements of bread and biscuit makers.

The cousins, using a one-room-on-site laboratory with equipment for measuring different grain characteristics, such as protein content, humidity and bread-making elasticity, were already used to making accurate measurements of quality of grain used in animal feed.

"We thought we would take the same techniques used for rabbit, chicken and pig feed-stuffs and apply them to bread grains too," recalls Jean Paul.

The cousins spent a year of research on how to classify customers' needs for different flour types in terms of measureable criteria. For instance, flour used to make the famous west coast Galette biscuits has a lower protein content and is les cloying than that used in bread—but has very tight constraints on water content.

The machinery and control process, costing a total FFr 4.5m, was installed during 1984 and has been operating since January 1985. The company was aided by a FFr 400,000 grant from Anvar, the government technological support organisation, which has to be repaid over five years—as well as other government cash incentives and low-interest loans.

The company, which now employs 34 people, has taken on 10 extra staff as a result of the investment, with most of them working on the administrative side or in the delivery fleet.

Most of the Bellots' orders come from local bakers and biscuit companies in the Poitou-Charentes region.

In sharp contrast to the progressive industrialisation of the British bread business, and diminishing taste of its output, around 90 per cent of French bread is made in small baking shops.

Even though complaints about falling quality are starting to be heard in France too, individual bakers' pride in their product and lack of standardisation set considerable demands for millers.

Bakers need different flour not just for special loaves but also to adapt to tastes and differing machinery which can vary widely between *boulongeries* on adjoining street corners.

The Bellots' task, through judicious mixing of five basic flour sorts and the addition of extra ingredients such as bran, rye, wheat germ, reground flour, leaven, malt and gluten, is to provide a quality to suit individual needs.

About 30 per cent of flour sold to bakers is in the form of the Bellots' "standard" recipe for *baguettes*. But it also provides about 30 different "special" recipes.

The company also now provides flour for seven biscuit factories, including the biggest French group Général Biscuit which has recently come under the control of BSN Gervais-Danone. This compares with only two before it brought in its selection process. Biscuit makers account for 30 per cent of sales, with flour prices for biscuits 10 to 15 per cent higher than for bread-making because of demand for tighter specifications for highly automised biscuit making machinery.

"If the flour varies in quality and causes the biscuits to be slightly bigger than they should be, they will not fit in the box and the production line has to be closed. It can be very expensive," says Bellot.

Underlining the way that the milling business now places a premium on know-how and organisation rather than sheer grinding muscle power, Bellot says more women are starting to become mill-owners.

He hopes the next member of the family to take over will be his daughter—even though, at five, she will not be starting work for a few years yet.

STRONG INDUSTRY BIAS ON SMALL FAMILY BUSINESSES

THE French milling industry is fragmented, made up largely of small family businesses. A total of 1,215 mills grinding 6.5m tonnes of wheat produced 5m tonnes of flour for both domestic consumption and exports last year. The main company in the industry is the Grands Moulins de Paris, accounting for 15 to 20 per cent of production. Only 17 mills grind more than 50,000 tonnes of wheat a year, with half the mills around France working at less than 1,000 tonnes a year. The Bellot company, the largest in the Deux Sevres departement and the third largest in the predominantly agricultural Poitou-Charentes region, with its capacity of 16,000 tonnes a year is a medium-sized business on a national level.

Carlsberg: something fishy at the brewery

By Hilary Barnes in Copenhagen

DENMARK'S Carlsberg Research Centre has developed apparatus which can detect bones and bits of fin in filleted fish. The system is expected to have wide application for quality control in the fish products *industry*.

The apparatus works by illuminating fillets with a special wavelength light that shows any residual bits of bones or fins. These can be seen by video camera and a computer is used to determine their exact size and shape so they can be removed.

The Carlsberg Research Centre is run by United Breweries (best known for its Carlsberg and Tuborg lagers) and is the only privately-owned laboratory in Denmark which carries out both basic and applied research.

United Breweries has set up a subsidiary, Lumetech, to produce and market the fish-bone detector, itself a spin-off from research into quality control methods for barley and malt.

Lower cost to voice messaging

By Geoffrey Charlish

VOICE MESSAGING'S main drawback, the financial commitment, has been tackled by One Voice of London (01-351 2468), which is offering a bureau service.

One Voice will store and forward messages phoned in to "mail boxes" allocated to users at £10 each per month, with a registration fee of £20. Beyond that, the charge is 15p per minute for connection to a mailbox. There are additional access charges outside London.

FT COMMERCIAL LAW REPORTS

No damages for failing to obtain export certificate for Thailand tapioca

TRADAX OCEAN TRANSPORTATION SA v PAGNAN SpA
Queen's Bench Divison (Commercial Court): Mr Justice Steyn: June 24 1986

A SPECIAL contractual condition that the seller of goods is "to provide for" an export certificate imposes an absolute obligation on him to obtain the certificate; and his failure to comply gives rise to a prima facie liability for damages of which he may be relieved by a force majeure clause in the same contract.

Mr Justice Steyn so held when dismissing an appeal by Pagnan SpA, buyers of tapioca pellets, from a decision of a Board of Appeal of the Grain and Feed Trade Association (Gafta) that the sellers, Tradax Ocean Transportation SA, were not liable in damages for failing to obtain export certificates from the Government of Thailand.

* * *

HIS LORDSHIP said that by a contract in Gafta form 119 dated *November 23 1982 Tradax* sold Pagnan 35,000 metric tonnes of Thailand tapioca pellets.

The contract contained a special condition that the sellers were "to provide for export certificate enabling buyers to obtain import licence into EEC . . . with 6 per cent import levy." Clause 19 of Gafta form 119 provided that "in case of . . . legislative act . . . restricting export . . . this contract or any unfulfilled portion thereof shall be cancelled."

The sellers were grain merchants. They had a considerable presence in Thailand through an associated company.

The buyers regularly purchased large quantities of Thai tapioca pellets for import into the EEC. There was virtually no market for the pellets anywhere else in the world.

By a co-operation agreement between the EEC and Thailand which came into effect in July 1982, Thailand undertook to limit its export of tapioca pellets to the EEC by a system of export certificates. The EEC in turn agreed to limit the levy applicable to the agreed quantities to a maximum of 6 per cent *ad valorem* instead of the barley levy which would otherwise be applicable.

There was no embargo on non-certificated goods coming into the EEC, but the barley levy would in effect double their price.

When the contract was concluded Thailand had already brought the quota system into force by regulations which divided the year into quarters and stipulated sub-quotas for each quarter.

Both parties must have been aware that contracts for the sale of Thailand tapioca could be affected by exhaustion of the applicable quota. Against that background they concluded the contract for deliveries in February, April and May 1983. The dispute centred on the deliveries due in April and May.

The sub-quota for the first quarter of 1983 was exceeded. The Thai authorities made it clear to all exporters from March 16 to the end of May that they were not going to allow any tapioca products at all to be loaded for export to the EEC. It was not possible for the sellers to obtain export certificates.

The buyers contended that the sellers were in default. The sellers contended they had done all that was required of them and that, in any event, they were protected by clause 19, the *force majeure* provisions under Gafta 119.

The arbitrators held the sellers were in default and awarded $562,500 to the buyers. The Board of Appeal set aside the award on the ground that clause 19 operated to cancel the April and May portions of the contract because fulfilment was prevented by the Government of Thailand.

On the present appeal the first principal issue was whether the special condition which *imposed* a duty on the sellers "to provide for" an export certificate, was an absolute obligation or only a "best endeavours" obligation.

Prima facie "sellers to provide for export certificate" meant that the sellers undertook responsibility for obtaining or supplying the relevant certificates. The natural meaning of those words was more consistent with an absolute obligation than with a duty to use reasonable diligence only.

On behalf of the sellers it was one in which the buyers was argued that the contract could select the date of nomination of the ship and it was implausible that in such a contract the sellers would undertake an absolute obligation to obtain an export certificate on uncertain future dates.

That was insufficient to persuade the court that the ordinary meaning of the words of the special condition should not prevail. Moreover, the sellers had a substantial business presence in Thailand. In relation to the potential exhaustion of the quota the sellers would have been in a markedly better position to assess the *risks than the buyers*.

The sellers submitted that the foregoing approach was wrong. They said there was a general rule that the duty to obtain a licence was one of reasonable diligence only, unless the term imposing the duty expressly or by necessary implication imposed an absolute duty to obtain an export licence.

In Coloniale Import-Export [1978] 2 Lloyd's Rep 562 where the relevant contractual provision was that "the responsibility in connection with the authority . . . to import . . . shall be that of the buyers," Mr Justice Lloyd said that that was intended to establish whose duty it was to get the licence and to leave open the nature of the obligation. He said: "It requires clear words to impose an absolute warranty in a commercial contract . . . responsibility standing on its own is not clear enough."

He was dealing with a differently worded contract and in no sense could the decision be said to be directly in point.

The court's task was to construe the meaning of the special conditon without any pre-conception as to what the parties intended. It was wrong to introduce uncertainty by starting from the viewpoint of a *general* rule governing such clauses and then to resolve the question of construction by reference to it.

Its task was simply to determine the *meaning* of the provision against its contractual and contextual scene. In the unlikely event of both interpretations being equally open for selection, a court would select the less burdensome obligation. That, however, must be an aid of last resort and did not apply in the present case.

The special condition, properly construed, imposed an absolute obligation on the sellers to obtain an export certificate.

The second principal issue was whether, if the obligation was absolute, the special condition overrode a standard form Gafta 119 *force majeure* clause.

There was *prima facie* breach of the absolute obligation because no export certificate was obtained. The question was whether the sellers were excused from liability by clause 19.

The buyers submitted that the typed special condition and the printed clause 19 were in conflict.

The contract provided that "special . . . conditions . . . shall prevail so far as they may be inconsistent with the printed clauses."

The rationale of that clause was that in the event of inconsistency the typed words, specially selected by the parties to regulate their commercial dealings, ought to carry greater weight than a standard form provision devised for the generality of cases. Even in the absence of such a provision that would be the way in which a court would approach the matter in the event of a genuine inconsistency.

The special condition and clause 19 were not inconsistent.

There was an absolute obligation to obtain an *export* certificate. Breach of that obligation gave rise to a *prima facie* liability for damages. The sellers would be excused from liability if they could prove the necessary facts to bring the case within the scope of clause 19.

While that conclusion detracted from the value to the buyers of the absolute contractural duty, it was a construction which assigned a meaningful interpretation to both clauses and did not treat them as in conflict.

It was to be preferred to a construction which treated them as in conflict. Moreover, the language of the special condition "to provide for" export certificates, although sufficient to create an absolute duty, fell short of evincing a clear intention to override clause 19.

The special condition therefore did not override clause 19. The question whether the sellers were excused by the provisions of clause 19 was one of fact. The Board of Appeal answered it in favour of the sellers. The appeal must fail.

For the buyers: David Johnson, QC, and Christopher Hancock (Middleton Potts & Co.).

For the sellers: Bernard Rix, QC, and Mark Havelock-Allan (Sinclair Roche & Temperley).

By Rachel Davies
Barrister

Wire coathangers will not suffice for tomorrow's hi-fi television

FILM AND VIDEO
by John Chittock

THERE IS a pithy maxim in photographic circles that says a camera is only as good as the enlarger lens through which its negatives are printed. The same might also be said of broadcast television and the aerials at the receiver end. A bent wire coathangar used as an aerial is just not good enough; and even a properly designed indoor aerial cannot deliver to a modern TV set the performance of which it is capable.

Aerials tend to be taken for *granted*, but *that is no longer* possible with the arrival of satellite television. Although UHF (ultra high frequency) and VHF (very high frequency) transmissions demand properly sited outdoor aerials to achieve good quality at the receiver end, satellite dish aerials pose a whole new set of problems for consumer and supplier alike; not least, the need for a clear line of sight with the satellite because trees or other obstructions will block its signals.

Currently available satellite *TV programmes reach* the receiver as relatively low-powered transmissions. *Because* of the distances involved and the geographical spread, the signals reaching the earth are quite weak and need an aerial that will gather and concentrate as much energy as possible into the receiver—hence the familiar dish aerial, which focuses the collected energy much like a reflecting telescope does with light rays.

In order to gather enough energy, dishes at present need to be quite large—anything from 1.2 metres to 1.8 metres or more in diameter. And like a telescope, they need to be accurately pointed at the satellite in order to focus its signal on to the tiny antenna in the centre of the dish. In practice, this means that dish aerials need very accurate siting and to be on mountings which are rigid enough to withstand disturbance by winds.

Indeed, a 2 metre dish mounted on a chimney would—in 100 mph winds—reach loadings of over 500 kilograms. Such forces might not only put the dish into misalignment, but could easily bring down the chimney stack as well.

Mounted on the ground, an ideal recommendation for such a dish is a base of concrete measuring one cubic metre. But wherever the dish is put, some neighbours may not be happy about this new infringement on the environment. Indeed, in Britain any dish aerial exceeding 90 cm in diameter is subject to planning permission, and in conservation areas approval is required for any size of dish.

Despite fears of a dish epidemic, one part of the television industry is understandably rather pleased about satellite TV—the often taken-for-granted aerial installers. In the past few years, business has been rather stagnant for the installers. Now that most developed countries have TV systems reaching over 90 per cent of the population, the TV aerial industry is largely a replacement business.

Yet the public is hardly rushing to buy dish aerials. In the UK, between 1,700 and 2,000 have been installed—of which *about 1,600* are *legal*, having paid the once-only £10 licence fee. But these are the larger dishes needed to receive low-powered satellite transmissions, and mostly installed by industry, hotels and gadget fiends.

The arrival of Direct Broadcasting by Satellite (DBS) with its high-powered transmissions will reduce the size requirement of dish aerials to less than one metre. A typical domestic installation of this diameter, complete with decoder and accessories, is expected to be in the region of £500 including installation.

Like ageing wallpaper poor TV reception creeps up unnoticed

However, some satellite programmes will be scrambled so that viewers may also have to pay for a de-scrambling device. Depending on how programming develops in *Europe*, access to the de-scramblers may be on a subscription basis—although in the UK it is believed that at least one currently available channel will be provided free to those viewers who have paid the once-only purchase price of the de-scrambler—expected to be about £200.

The installation of DBS aerials will require a greater degree of skill than is sometimes available for conventional TV aerials. In consequence, the aerial installation business has been getting itself ready to cope with various anticipated problems. The Confederation of Aerial Industries (CAI), the leading trade body in the UK, has published a code of practice for the installation of satellite aerials—covering a host of unexpected details such as consultation with architects or structural engineers, the minimum radius of bends in cables (too sharp a bend causes signal losses), and the provision of identity cards for installers.

Even the ordinary rooftop TV aerial deserves greater attention than it usually receives, and anyone purchasing a new one would be wise to use only a reputable installer — *such as*, in the UK, members of the CAI. The type of aerial, for example, must be matched to the polarisation and frequency of the regional transmitter. Its manufacture must conform to precise parameters (some fail to do so). Like a dish aerial, it must point in the right direction (a comparison of neighbouring rooftop aerials will quickly reveal variations). Even the height of a conventional TV aerial can influence reception — lowering it slightly can sometimes improve matters because it may then coincide better with the phasing of incoming waveforms.

Poor TV reception is rather like ageing wallpaper: its familiarity grows on you and passes unnoticed. But with improving standards in receiver design and transmission quality, there is little excuse for it. In Britain, for example, there are now 800 transmitters or relay stations to ensure good signal reception. And for anyone in doubt, the broadcasting authorities generally provide excellent engineering information services — such as the Independent Broadcasting Authority (IBA), which publishes a range of literature on all aspects of transmission and reception, and also has a permanent exhibition at its London headquarters.

How Swedes have fixed on better hearing

BY ELAINE WILLIAMS

NOBELPHARMA, part of Sweden's giant Nobel Industries Group, will this year start supplying commercially titanium implants for attaching hearing aids directly behind a patient's ear. The company says this technique improves the hearing range by 10 to 15 decibels — enough, in some cases, to cure deafness.

The method was originally developed to anchor dental bridges into the jawbone. At present the dental market *accounts for 95 per cent of all* titanium implants. Nobelpharma forecasts that in the US alone the market could reach $1bn by 1990. For a share of this, and other sales worldwide, the Swedish company's main competitor is Corvent of the US, while a number of Japanese companies led by Kyocera offer ceramic alternatives.

The Nobelpharma implants are based on pioneering work by Prof Per Ingvar Branemark, of the Institute for Applied Biotechnology in Gothenburg. It was he who discovered that titanium could be successfuly integrated into living bone tissue.

The Swedish company's hearing implants consist of an aid attached to a small titanium screw which is threaded into the *bone* behind the ear. The company says the advantages of the method include better sound quality and fewer side effects, *such* as ulcers often associated with other forms of bone-attached hearing aids. In Sweden, more than 150 people have already been fitted with the new type of device.

The technique can also be applied to other parts of the body to allow the attachment of artificial limbs. Prof Branemark is keen to encourage companies in the commercial development of suitable titanium components, believing potential demand is large.

The Venice Biennale II/William Packer

The dinosaur is still alive and kicking

The Venice Biennale this time, as usual, achieves rather less than the sum of its parts, but to say as much is not to express any particular criticism or disappointment at what is presented, or indeed any discontent in principle. Rather it is merely to acknowledge what is a natural, inevitable condition in a beast in whom variety and scale, curatorial ambition and sheer energy must always work against the more mundane yet necessary qualities of co-ordination, consistency and coherency.

There is much of the dinosaur to it, whose head seems not altogether aware or much concerned at what its feet or tail are doing, which grand and splendid fatalism is both engaging and rather terrifying. Certainly the central organisation and general preparation seems cavalier to a degree in its inconsequence, to the despair of the more disciplined and practical-minded, almost exclusively foreign participants and lenders — artists, dealers, museums — who see their precious works scattered about the exhibition halls and manifestly at risk in all the chaos and hubbub of drilling, sawing, wiring, hammering, painting.

Quite how long the Biennale can afford to abuse such forbearance is an open question, for without an active and generous international presence, both in the individual national pavilions in the gardens and in the major mixed exhibitions, there can be no Biennale. Already a number of major collections refuse to lend and others, private and public, never will again. And there have been other signs of trouble too, subterranean rumbles here, the occasional more positive tremor there. Last time, in 1984, so arbitrary and off-hand was the Biennale's treatment that the commissioners responsible for these national pavilions threatened a wholesale boycott if there was no improvement.

The threat has evaporated somewhat, wafted away perhaps by the promise of prizes, but the unspoken dissatisfaction still hangs in the air, and the sudden decision early this year, so late in the day as these things go, to postpone the whole Biennale by a *full fortnight*, was hardly a help. It is as so though the Biennale still feels it does the world at large a favour by its very existence, its invitation thus a privilege. The truth is that the favour is properly reciprocal or it is nothing.

But the dinosaur has life in it still, and even vigour. For the moment all seems to have come together again as usual, up more or less on time and more or less unscathed. *Arte e Scienza* is the given theme, to which the head addresses itself in seven distinct exercises on several sites, and which the feet and tail, that is to say the individual national pavilions and the *Aperto* exhibition given to an international miscellany of Biennale debutants, largely ignore.

Art and Alchemy, the first of three large mixed exhibitions in the Central Pavilion in the gardens, immediately stretches the point, for alchemy is hardly science to the sceptical modern understanding, more the methodical indulgence of credulity. The creative imagination, of course, has never cared to be so confined. Here the show proves to be an examination of the metaphysical and surrealist strain in the art of the past 100 years, with a small display of ancient, mediaeval and renaissance images, texts and treatises thrown in for good measure.

It treats its subject variously under four headings: The Alchemist—Artist, Philosopher and Poet; The Aim—the Reconciliation of Opposites; The Path—Knowledge is Freedom; The Means—Love is Knowledge; which gives it all the scope it cares to take. What it lacks in coherence it gains in its cumulative detail, with never a dull moment as the fascinating follows upon the silly, the obscure and the marvellous, turn by turn. It is very much in the character of Biennale to bring together so much that is disparate and unexpected, the acknowledged master alongside the newest name, and here they all are—Moreau, Picasso, Picabia, Klee, Ernst, Magritte, de Chirico, Delvaux and then suddenly, in a dark corner the simple enigmatic lumpen sculptures of a young British artist, Alison Wilding, or Stephen Cox's fractured reliefs.

Wunderkammer, the Cabinet of Wonders and Curiousities, ancient and modern, that occupies the run of galleries on the other flank of the Central Pavilion, is somewhat more gleeful and high spirited in its surrealistic treats and it does hold some wonderful and quite extraordinary things. *Space*, in the galleries in between, is rather more straight-forward in its historical attitude, treating the tricks and devices by which space and perspective are rendered and contradicted in a most engaging set of models and tableaux.

The other major historical and technical exhibitions are at sites outside the gardens of the Biennale. *Colour* indeed is split in two, filling the whole of the basement of the *Polasport*, close by the *Arsenale*, with an examination of colour orders, systems and analyses put into practice since the time of the fauves and the early constructivists, through to optical and kinetic exercises of more recent times. It includes a fine recent work by Bridget Riley and strong pieces by Peter Sedgely, an English artist long resident abroad who has been too much neglected. *A whole section* is given to Johannes Itten, whose refinement of colour principles and the colour wheel have long been a staple of art teaching.

In the extraordinary *Corderie*, the rope-shop of the *Arsenale* which is worth the visit for itself, is *Colour 2* which deals with other aspects of colour painting in general practice. *Technology and Informatics* follows on with an orgy of electronic whizzery and computer fun, which in turn gives way to further national displays, the Australian painter Imants Tillers outstanding with his large multiple-pannelled canvasses, and at last to *Aperto*, as inconsistent and intriguing as ever.

But far away in the city itself, at the Accademia no less, lies the Biennales's oddest and perhaps most questionable manifestation. Here the latest scientific practices of conservation are celebrated and the galleries, never well hung at the best of times but full nevertheless of so many of the things one would most wish to see on any visit to Venice, are beset with banks of flashing screens and computer terminals programmed it seems quite literally to blind us with science. I shall go back to Venice no doubt, and see the great Veroneses and Bellinis and the rest unencumbered and undistracted, but how many will not or cannot return? The whole exercise of *La Scienza per l'Arte* at the *Accademia*, is a gross misjudgement.

There is so much to write about in any Biennale that cannot be covered, the excellent Spanish pavilion with some of the artists, Sicilia especially, whom we saw in London earlier in the year, the Uruguayan pavillion tucked away in the trees full of the large, quiet still-lifes of Clever Lara. But the oustanding artist, the true *Victor Ludorum* for all that jury made him share the palm, remains our own Frank Auerbach, who filled the British pavillion with portraits and landscapes that hardly need the excuse of a Biennale to stand alongside the best that Venice has to offer.

Frank Auerbach (left), joint winner of the Golden Lion at the Venice Biennale, in conversation with William Packer on the terrace of the British pavilion

A sinful night-out in Paris

The Théâtre de la Ville is the temple of modern dance in Paris. Dance performances there are sold out and rapturously applauded as a matter of course, and none more so than those presented by Pina Bausch's Dance Theatre of Wuppertal. Two Bausch productions closed the season at the end of June, *Arien* (which I missed) and *The Seven Deadly Sins*.

The theatre has an open stage and no orchestra pit (straight theatre taking pride of place), but a necessary and welcome exception was made for the Brecht-Weill work, for which a small student orchestra —L'Académie de l'Orchestre, conducted by Winfried Maczewski—was placed at the back of the stage. The blonde and hefty singing Anna not only sang and articulated impeccably but also acted out her role of corrupter of the dancing Anna very convincingly. The four male singers, on the other hand, sat round a table to begin with and were later banished to the background.

According to the brief programme-note, the company found Bausch's treatment so distasteful in 1976 that several of the dancers mutinied. One sympathises with those who broke away, because there is a degrading element for the performers in this picture of the human race as totally degraded. Besides, such indiscriminately crude bludgeoning is less troubling than a work in which the characters are individuals and a few credited with positive traits.

The title may announce the sins as the classic seven but, as usual, Bausch is concerned above all with the brutal exploitation of women as sexual objects, not only by men but also by other women. Those evenings that Bausch spent as an unregarded child in her parents' café seem, indeed, to have left her with a long-lasting grudge against humanity, and particularly against the *Kleinbürger* (petits bourgeois) of the title, although lust, covetousness, avarice and the others that Bausch ignores, cannot seriously be considered the prerogative of a single section of society.

Technically, the performance could hardly be faulted. The singers, dancers and musicians worked together like a team, all exceptionally expressive, and since Bausch was using a set text, there was no improvised speech. This was Bausch's last individual work (now everything is put together collectively), with the *dancers really* dancing and not being themselves but characters laid down by others.

One of the advantages in a German production is the use of the original text. Even if one does not understand every word, the sounds are right, whereas no translation I have heard sounds harsh enough.

In the following *Fürchtet euch nicht* (Don't be afraid), on the other hand, which contains more speech than dance, anyone without a thorough knowledge of German is at a grave disadvantage. At all events, by then the theme was palling. The men in women's underwear, all the women but one depraved, offer such a one-eyed view of the world than in the end does not even react.

Freda Pitt

Paata Burchuladze/Covent Garden

Andrew Clements

There is no dispute about the voice: Burchuladze has been widely hailed as the finest Russian bass to come along for more than a generation, a true heir to the tradition of Shalyapin, Christoff and Ghiaurov. But the musical use to which such a singular instrument has been put so far has received less *universal acclaim*, in opera (as Ramfis in the Royal Opera's 1984 *Aida*) and concert. His contribution to last Friday's Verdi Requiem at the Albert Hall was noticed here yesterday by Max Loppert; on Sunday he appeared at Covent Garden to give his third London recital, accompanied by Ludmila Ivanova.

Hearing Burchuladze for the first time is startling: a tone of rich smoothness, perfectly focused, effortlessly projected through the auditorium. He eased himself into the evening with three familiar Chaikovsky songs, and demonstrated that he has now polished a flexible, convincing way with straightforward lyrics, while Prince *Gremin's aria* from *Eugene Onegin* was presented plainly but effectively, moved to a carefully controlled and genuinely expressive climax. In three songs by Dargomizhsky, too, there was proof that Burchuladze had taken criticism to heart: "The old corporal" was crisply characterised.

It was unfortunate, however, that as the programme continued Miss Ivanova proved to be an increasingly inadequate partner; her playing consistently lacked dramatic awareness and often technical sureness. What was otherwise a vivid account of Rakhmaninov's "Fate," bringing a new range of colour to Burchuladze's tone, was marred by her inability to provide equally vivid support, while in three operatic excerpts — from Rakhmaninov's *Aleko*, and two from *Boris Godunov* — the piano reductions were made to seem more than usually pale substitutes for orchestral sonorities.

According to his biography, Burchuladze has yet to sing Boris outside the Soviet Union. When he does it promises to be an electrifying event, for whatever misgivings one had about his dramatic grasp were totally dispelled by his accounts of the Act 2 Monologue and the Death Scene. Intonation, it should be reported, was only rarely less than exact; the impersonation was by no means histrionic, but alert, *precise and* pitched straight at the audience. As the "Song of the Flea" proved as an encore, he has now mastered the art of buttonholing his public and holding on to it until the very last note.

Philharmonia/Festival Hall

Max Loppert

Two evenings after the Albert Hall Verdi Requiem, the Philharmonia were installed back on South Bank for a concert of Respighi and Liszt under Esa-Pekka Salonen — and were in considerably less admirable form. The large work of the programme was *A Faust Symphony*, one of the towering master-pieces of the 19th-century orchestral literature. But you would hardly have guessed as much from the scrappy, scratchy, incoherent account of it produced on this occasion.

It seemed inadequately prepared and rehearsed (there was a fearful moment of near-collapse among the strings just before figure K of the first movement). Or else—and this is far more likely — the work had been incompletely studied and mastered by the young conductor. Sections of like material and import came out at unrelated and sometimes widely differing tempos; bursts of brash speed alternated with limpness (much of the "Gretchen" movement sounded on the point of disintegration); there was nothing in the way of expressive Liszt phrasing, and very little in the way of timbral magic.

Luckily, the Philharmonia men's chorus and Keith Lewis as tenor soloist (did he *have* to take a breath in the middle of every "Ewig-weibliche"?) arrived to redeem the performance from total wretchedness. But if I were a young conductor of Salonen's gifts, I'd be feeling thoroughly ashamed of myself.

The summer opera season falls flat in Frisco

Even on paper, San Francisco Opera's 1986 summer season seemed *so grim a prospect that* Sir John Pritchard, the company's newly-appointed music director—who in fact had no hand in its planning—did everything possible to dissociate himself from it, the wisdom of which became clearer at each successive curtain. The company, which only a year ago re-established its international standing with a world-class *Ring*, seemed, this summer, content with a holiday in the provinces.

The opening of *Il Trovatore*, promoted as a showcase for the local debut of Ghena Dimitrova as Leonora, could, in the event, count among its few merits the international debut of Dolora Zajic as Azucena. An uncommonly promising young mezzo who has made her ascent through the company's apprentice programme, Zajic served notice of the arrival of a major voice, with a dark, spinning, finely focused tone even throughout the registers. More welcome yet was the rock-solid emission of the sound on a steady column of breath, that increasingly rare commodity one once expected from a singer of the top calibre.

Word has it that she finished the run with a sheaf of new contracts from around the world. It is a pity that one will have to await the fulfilment of one or another of them to make a real assessment of her artistry as a whole. Conductor Andrew Meltzer's flaccid beat and wayward manner with the score kept hers from becoming, *finally*, a *memorable*, fully-formed Azucena.

Scores of Turandots and Abigailles later, Dimitrova has little to bring to Leonora beyond amplitude of voice and a certain sincerity. Franco Bonisolli, her troubadour, opted, over "co-creation" with composer and conductor, to recompose his part, then bawl it. Piero Cappuccilli's blunt way with it earlier.

Cappuccilli's presence seemed to galvanise all the musical forces into performances of higher purpose, yet even at their best, these Trovatores represented the "bad old style" of Verdi productions, and scarcely hinted at the bold, forward-looking opera the composer intended.

A Cillario-conducted *Lucia Di Lammermoor* proved little more than that the *summer's* pageant of ruined voices took in more than veteran singers. It was with no little sadness that one heard the once-promising voices of Gianna Rolandi and Barry McCauley gone glimmering. As Lucy and Edgar, both gave enervating, ship-worn performances.

A Cav-Pag double bill gave further proof, were any needed, that there is little in the operatic world more grinding than a Ponnelle production without Ponnelle. Vera Lucia Calabria's sanctioned "re-thinking" of Ponnelle's 1976 *original omitted such grotes*queries as a Santuzza well into her third trimester but offered in their place more coarseness with less daring.

Anton Guadagno slammed his way through the familiar music (the lovely Cavalleria intermezzo was wrenching beyond belief), eliciting similar guacherie from Florenza Cossotto (Santuza), Ermenno Manro (Turiddu, Canio), and Diana Soviero (Nedda). Cappuccilli, making his company debut as Alfio and Tonio, sang with such consummate taste that his contribution was lost in the fray. "Summer is icumen in," one thought disconsolately. "Lude aing cuccu."

The concluding double bill featured Karen Armstrong as a vocally accomplished but dramatically unconvincing woman in *La Voix Humaine*. James Johnson, her conductor, provided the most idiomatic accompaniments of the season.

Menotti's the medium, in a Nice-Paris production new to San Francisco, came with a catalogue of horrors quite apart from the comparatively benign ones in the story. Hardly least among the added ones were the English supertitles, regretabbly quite necessary, in the English-language production.

Ironically, but not surprisingly, only Regine Crespin, in the title role, sang her words intelligibly. Her performance, however, tended to substitute grandeur for pointed involvement. It was left to the rest of the generally able cast (most notable among them Li-Chan Chen as Monica) to add such magic as there was.

However artistically unsatisfying, the season might have slipped quitely into "dunkles, ewiges urvergessen," had the company not been inadvertently — but stunningly — showed up by forces just across Grove Street.

As the climax to its annual Beethoven festival, the San Francisco Symphony, under its brillient new music director, Herbert Blomstedt, gave two concert performances of *Fidelio*, with a cast headed by Luana Devol, Reiner Goldberg, and Paul Plishka.

The second performance, which I heard, was exemplary: musically precise and incisive, dramatically compelling, and, as any great *Fidelio* in a generation, it was a most welcome cleanser of the operatic palate.

Timothy Pfaff

JVC/Capital Radio Jazz Parade

The JVC/Capitel Radio Jazz Parade, at the Festival Hall in London from July 14-19, begins with a Blues night headlined by Dr John, with Otis Rush and the John Mayall Blues Breakers.

Tuesday evening, dedicated to the memory of music journalist Derek Jewell, who died last year, stars Lionel Hampton and his Orchestra. The Herbie Hancock Quartet will be in concert on Wednesday plus cross-over combo Spyro Gyra.

Other bands and artists appearing during the rest of the *week include the McCoy Tyner* trio, guitarist Stanley Jordan, saxophonist Wayne Shorter, and drummer Buddy Rich with his band.

A Killing Time/Watermill, Newbury

B. A. Young

The ad hoc production at the Newbury Watermill, Berkshire's baby Glyndebourne, purports to include the Summer Solstice Fair in aid of the roof of Newclere Church, and there is indeed a fair on the lawns in the interval, with a ceremonial dance by Druids dressed like the Ku Klux Klan.

The play itself, by Ewan Smith, starts with a scene in Purgatory, where Philip, after 61 years in Hell for a murder to which he still pleads not guilty, meets Moy Crerar, a Scots lassie who has been there since the 18th century and is now in charge of the new computer.

They come back to earth to re-enact the circumstances of Philip's alleged murder, beginning at the home of his aunt Lady Clough, a millionairess for whom Stewart Laing has designed a very modest sitting room with a balcony above it leading to the next world. Also on hand are the butler Phipps and a comedy duo, Nancy and Archie Davenport, engaged for their fair.

During the interval, after we have all played games and the Druids have danced, there is the sound of a rifle shot, and two bodies are seen floating down the River Lambourn. The audience is asked to vote on the identity of the killer; yet everyone is back on stage in Act 2. They are in Purgatory, which bears an understandable like*ness to Lady Clough's sitting* room.

The details of everyone's crimes, examined as in the last act of an Agatha Christie, need not be reported here, since the stories are dubious and mutually unreliable. Some, as the Prince ordained in *Romeo and Juliet*, will be pardoned and some punished, and the allocation of the different fates may well raise a lot of eyebrows.

Of the actors, I specially like Peter Kelly and the beautiful Lucy Hornak as the Davenports, whose interval performance was the highlight of the fair. Carol Ann Crawford is a charmingly sinister Moy, Fidelis Morgan a modishly sinister Lady Clough. Nick Philippou is the director, and the lighting tricks, which involve six computer screens that were all illegible to me, are the work of Leo Leibovici.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

July 4-10

Opera and Ballet

WEST GERMANY

Berlin, Deutsche Oper: Die Fledermaus, an Otto Schenk production with Carol Malone, Barry McDaniel and Hans Beirer. The last opera performance this season is Rigoletto, with Barbara Hendricks and Ingvar Wixell.

Cologne, Opera: Zar und Zimmermann stars Marianne Hirsti, Martin Finke and Alfred Kuhn. The Marriage of Figaro has Janice Hall, Andrea Andonian, Claudio Nicolai and Alberto Rinaldi leading the cast.

Stuttgart, württembergisches Staatstheater: Der Liebestrank features Maria Russo, Michael Austin and Jörn W. Wilsing. This week sees the premiere of Niccolo Jommelli's opera Fetonte, produced by Axel Manthey. Werther, sung in French, rounds off the week.

Munich Festival: Munich's annual opera festival runs from July 7–31 at the Munich Bayerische Staatsoper. The first week opens with the world premiere of Aribert Reimann's opera Troades, produced by Jean-Pierre Ponnelle. Helga Dernesch, Doris Soffel and Bodo Brinkmann appear in the main roles. Other operas include Otto Schenk's production of Der Rosenkavalier with Brigitte Fassbaender, Helen Donath and Lucia Popp, Don Giovanni with Sheryl Studer, Trudeliese Schmidt, Kurt Moll and Francisco Araiza, and David Kirchner's Belshazar.

LONDON

Royal Opera, Covent Garden: the new production of Fidelio marks Colin Davis's final appearances as Royal Opera musical director. The producer is Andrei Serban, and the cast includes Elizabeth Connell, James King, Marie McLaughlin, Hartmut Welker and Gwynne Howell. Final performances of the new production of Britten's Dream – striking to look at, rather less good to listen to, and patchy as a performance of both play and opera.

Coliseum: The Dance Theatre of Harlem brings over its excellent Giselle, together with a varied repertory all week.

BRUSSELS

Cirque Royale: final performance of Boris Goudonov

NETHERLANDS

Amsterdam, Stadsschouwburg: Ballet festival with the National Ballet (Mon). (24 23 11).

PARIS

Die Zauberflöte in Marcel Bluwal's production tries to show the shaft of optimism shining through the complexity and contradictions of Mozart's work which combines philosophical depth with the Burlesque at the Opéra Comique (432 9808 11).

Salammbo alternates with Don Quixotte in Rudolf Nureyev's choreography and production adding a playful element of Commedia dell'Arte and a lovers' intrigue to the original opera created by Petipa in 1869 to music by Minkus. Paris Opera (42665022).

The Wuppertal Tanztheater is bringing two works by Pina Bausch with her violence in deciphering human nature and her tenderness in understanding it to the Théâtre de la Ville (42742277).

ITALY

Nervi (Genoa): Teatro Maria Taglioni: (International Ballet Festival). A Chorus Line – first performance in Italy: The Shubert Theatre of Broadway directed by Michael Bennet. Music by Marvin Hamlisch. Wed, Thur (589 329).

Spoleto: (29th Two Worlds Festival): Teatro Nuovo: The founder of the festival, Gian Carlo Menotti's opera La Santa di Bleecker Street, conducted by Simon Barto and directed by the composer. Fri, Sun, Wed. Also, at 3pm on Fri, Sat, and Sun, the Sydney Dance Company (4 02 65); Teatro Romano: On Fri, Sat and Sun, the Scottish Ballet directed by Peter Darrell and on Thur first night of the International Dance Marathon. (4 02 65).

Milan: Teatro alla Scala: Debussy's La Martyre de Saint Sabastien conducted by Sylvain Cambreling and directed by Maurice Bejart. Scenery and costumes by Maurizio Balo. Fri, Mon to Thur La Sonnambula conducted by Gianandrea Gavazzeni, with Luciana Serra (alternating with Lucia Aliberti), Patricia Pace (Miriam Gauci), Pietro Ballo and Bonaldo Giaiotti. (80 91 26).

Roma: Terme di Caracalla: Donizetti's Lucia di Lammermoor (in its first performance at the open-air theatre here for over 30 years). The title role is sung by Edita Gruberova, with Alberto Cupido and Juan Pons. Production by Alberto Fassani (46 17 55).

Verona: Arena di Verona: The season opens with Umberto Giordano's opera, Andrea Chenier. Gianluigi Gelmetti conducts a cast which includes Montserrat Caballe and Jose Carreras, in Attilio Colonnelo's production, Fri, Sun and Wed. On Saturday, Puccini's La Fanciulla del west, with Sofia Larson, Silvano Carroli and Vladimir Popov, conducted by Maurizio Arena. (28 151).

VIENNA

Staatsoper: Manon Lescaut conducted by Sinopoli with Zampieri, Hintermeier, Helm, Mauro, Rydl, Gahmlich; La Boheme conducted by Guadagno; Carmen conducted by Weikert with Baltsa, Borovska, Carreras, Gyldenfeldt. (53 24/26 55).

Volksoper: The Magic Flute; Der Vogelhändler; Der Opernball (53 24/26 57).

Die Fledermaus: Volksoper (Music Summer 42 800/2085 and /2095). (Fri, Mon).

Die Zauberflöte: Volksoper (Sun, Tue).

NEW YORK

New York City Opera (NY State Theatre): 20 weeks of summer opera including new productions of Werther, Don Quixote, the New Moon and the world premiere of Anthony Davis's X (The Life and Times of Malcolm X) continues with a week of Kismet. (870 5600).

TOKYO

Star Dancers' Ballet: Original ballets based on Japanese folk tales; Pheasant with Beautiful Tail Feathers, Heavenly Maiden in the Mountain, *Tale of a Beautiful Maiden* and a Fine House. Yubin Chokin Hall, near Shiba Park (Thur). (401 2252).

La Boheme: Puccini's opera in Italian by the Fujiwara Opera Company. Tokyo Bunka Kaikan (Tue, Thur). (271 5384; 369 7020).

Saleroom/Antony Thorncroft

Fire, death and virtue

The good news that Sam Wanamaker has been given the go-ahead for his plan to build a new Globe theatre on Bankside adds topical interest to Sotheby's major sale of English literature and history on Thursday and Friday. It is offering a recently discovered letter of 1613 describing the fire that burnt down Shakespeare's Globe.

A shot from an off-stage cannon set alight the thatched roof during a performance of *All is Triewe*, better known now as *King Henry VIII*. With the destruction of his theatre, Shakespeare retired to Stratford. The letter, from a London merchant, Henry Bluett, to his uncle in Somerset, is interesting in that it suggests that children were taken to performances at the Globe. The letter carries a top estimate of £25,000.

Among the other star lots are the death mask of John Keats and an unpublished poem by Oscar Wilde. The plaster death mask is the best known example of the very few casts to have survived from the original matrix, ordered by Keats' friend, the painter Joseph Severn, in whose arms he died in 1821. It could make £50,000.

The Wilde poem is dated to the mid-1870s when he was at Magdalene College, Oxford, and is entitled "Hearts Yearnings." It has a £20,000 to £25,000 estimate. Wilde is much collected these days, and also on offer is a water colour of the view from the family's Irish holiday home painted when he was 21 and inscribed to this "first love," Florence Balcombe, who later married Bram Stoker, author of Dracula.

A. A. Milne's autograph drafts, and the Shepard preparatory drawings, for *When we are very young*, provide the highlight of the sale—and carry a £150,000 top estimate.

A miniature portrait of Catherine of Aragon, dating from around 1525 when she was *still happily* married to Henry VIII, could sell for around £15,000 at Christie's on Wednesday. It was painted by Lucas Hornebolle of Ghent.

On Friday, Christie's offers many sporting pictures secure in the knowledge that this is currently a strong market, especially in the US. An unusual John Wootton of a monkey wearing crimson livery and dancing with a poodle, owned by Edward Harley, Earl of Oxford, is a highlight.

As a curtain-raiser for next week's Open Golf Championship, Phillips is offering in Glasgow on Friday the largest-ever sale of golfing memorabilia. A few hundred pounds will secure a baffy spoon, a mid-19th century applewood club used for lofting. A feathery, a golf ball stuffed with feathers, dating from around 1850, will be nearer £1,000.

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Tuesday July 8 1986

Triumph for Mr Nakasone

DOMESTIC electorates are notoriously unimpressed hy what the rest of the world cbooses to regard as statesmao-like behaviour in a political leader. The spectacular eodorsemeni accorded hy the Japanese at the polls on Sunday to Mr Yasubiro Nakasone's style of leadersbip. which bas heen hoth bold aod outward-looking by the slandards of his predecessors, thus commands more than a little respect.

It is doubly impressive, given the meagre reward yielded by Mr Nakasone's statesmansbip at the recent Tokyo summit. In the immediate run-up to the election US officials did, admilledly, observe a tactful silence over the dollar-yen exchange rate. But that dld not prevent a continuing appreciation of the yen in June. And the voters were also obliged to absorb some dismal economic statistics reflecting the yen's earlier strength, notably a fell in output in the first quarter of 1986 for the first time in more than a decade.

Huge gamble

That is the measure of Mr Nakasone's personal lrlumpb, after taking a huge gamble in calling an early general election. Il is now highly unlikely that the ruling Liberal Democratic Party sbould seek to oust him. The pressing questions for the rest of the world are. first, whether the oulcome will pave the way for a more conspicuous relaxation of fiscal policy as growth in the Unlted States slows down: and, second, whether the Japanese readioess to confront more fundamental structural reforms ln the economy will be sharpened as a high yen imposes lts own demand for a transition from export to domestic-led growth.

There is room for modest optimism ln al least one respect: with a landslide victory behind him, Mr Nakasone can no longer plead domestic political difficulty ln seeking to slave off Western demands. The result may also lend legltimacy to the Maekawa Commission's recommeodations for the restructuring of the domestic economy. Commissioned personally hy Mr Nakasone in advance of the economic summit, the report was criticised on the grounds that lt hy-passed Japan's traditional consensus approacb to policy making.

That said, the dent in output growth caused by a soaring yen would almost certainly bave brought about a change in fiscal policy regardless of the electoral oulcome. Mr Nakasone's hint of an autumn package of spending measures amounting to perhaps 1 per cent of gnp will not set the rest of the world alight.

Heavy reliance

On tax reform the posltion has actually heen set back. Any prospect of raising more government revenue through indirect taxes that bear on the personal sector has been ruled out during the campaign. So, too, bas the likelihood of reductions in subsidies for personal savings—unfortunate, since lt is the Japanese propensity to save that provides the counterpart to a balance of payments current account surplus now running at a phenomenal annual rate of $77bn.

Mr Nakasone nonetheless remains, to non-Japanese eyes, the hest leader in sight. And it may well turn out that he wlll feel obllged, in due course, to trim his economic sails to tbe US wiod. With the American economy growing at a very pedestriao rate and pressures for prolection in Congress sbowing no signs of abating, we will no doubt shortly witness a vocal return to the policy of competitive dollar devaluation that prevailed before the Japanese election.

The problem here is that receol evidence does not suggest that Japan's investment demand is responsive to falllng interest rates wben export demand is falling sharply. Placing such heavy reliance on mooetary policy to sustain growth during the presenl period of external adjustment looks susplclously like putting all the economic eggs in one basket.

How to revive inner cities

IT IS fitting that today, the 150th anniversary of tbe birth of Joseph Cbamberlain, one of Birmingham's most distinguisbcd leadcrs, the present city fatbers are fighting hoth to preserve their local autonomy and to find new ways of lnvolving all sections of the business, commercial and political community in the rescue of some intractable inner city problems.

If they can succeed it wlll be in the spirit of the Chamberlain tradition: "Birmingham is a great cily today hecause a generation ago men wera found—practically all its citizens—who were willing to work and, if necessary, to make sacrifices in order to maintain and support its repulation," he once said.

But the question ariscs of what can or should he done if Birmingbam and other major cities find the scale of their problems beyond lheir financial and organisatlonal capahilities.

Great caution

Mr Nicholas Ridley, Environment Secretary, is proposing to Cahinet a solution which needs to he approached with great caution. His price for a large economic stimulus into some of the areas most desperately in need of help would he the removal of democratic autonomy from local councils which are protecied neither by a written constitution nor a hill of rights.

Mr Ridley's idea is to create up to eight more urban developmenl corporations (UDCs) for large sltes in iooer cities where all available central and local government attempts at regeneration have so far hrought no halt to the spiral of decay. Local authorities surrender all powers over the designated developmenl areas. Government appoioted boards run them with full executive authority and a large flow of funds from the Exchequer.

Local solutions

This principle has been tried with some success in London and Merseyside since 1981. London's Docklands, westero Europe's largest derelict site, had defied all attempts at local authority solutions for decades. They now have the infrastructure, housing and commercial development on which a community identity can blossom to provide the final stage of regeneration — schools, clubs, culture, and spirit. Liverpool's docklands, althougb smaller, were s similar derelict monument to a lost era until the UDC arrived with enough cash and power to make things bappen.

Both those UDCs were set up in the face of substantial local opposition. Althougb the regeneralion acbieved is impresslve, the loss of local accountability is in principle undesirable.

The Government's criterion abould be that whenever and wberever possible local solutions should he provided for local problems.

If, for example, Birmingham City Council succeeds in its attempts to set up a consortium with banks, accountants, huilders and developers it sbould be given every encouragement to press on and the UDC proposed for Birmingbam should be localed elsewbere.

If any city is to lose any of its local powers they sbould be given up voluntarily rather than confiscaled; the Government migbt consider inviting councils to apply for a UDC instead of imposing them arblirarily. To reduce as far as possible the number of people likely to find themselves living within an area without local democratic control, new UDC sites sbould always be in sparsely populated areas.

Positive role

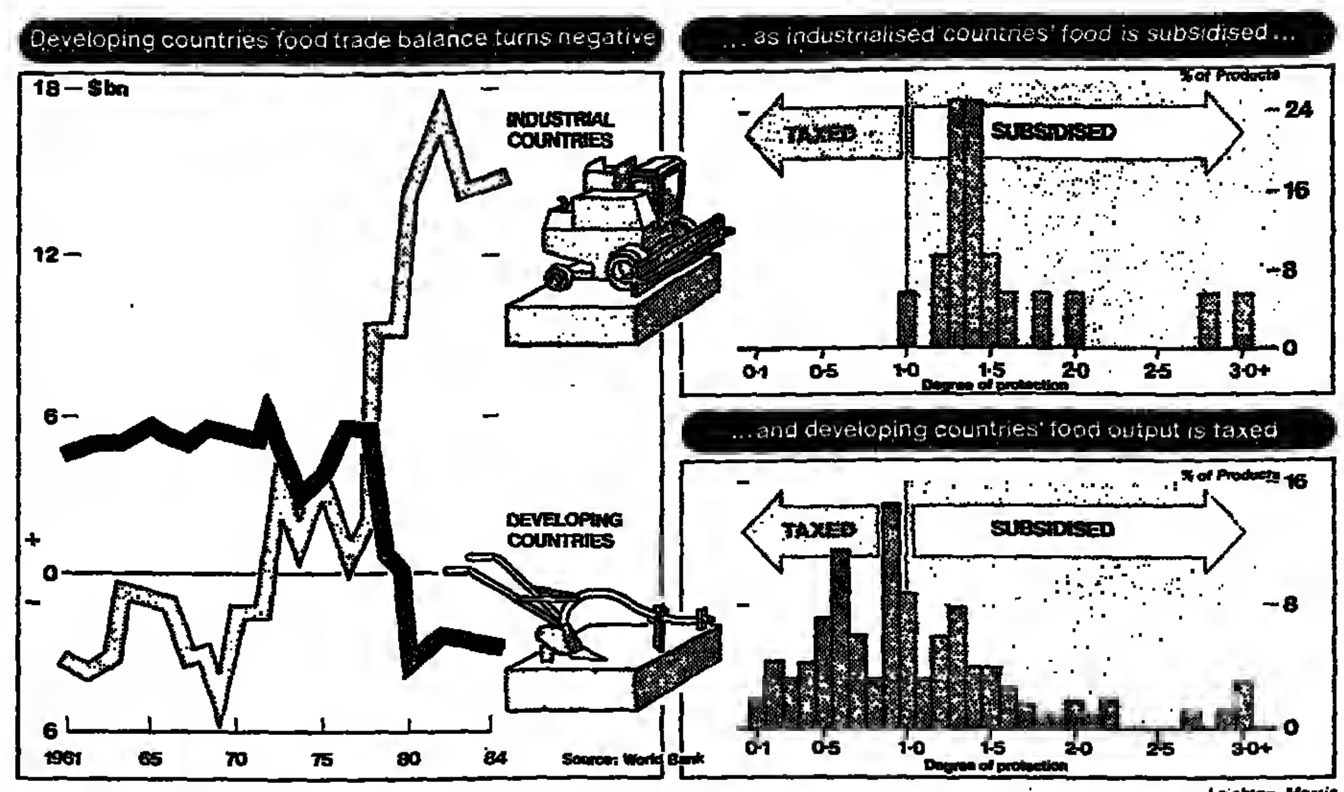
The primary purpose of a UDC ought to be to provide an infrastructure and investment hase which ultimately stimulates business and residential activity and breathes lifa into e local economy. It would be desirahle to regard all urhan developmenl corporations as temporary devlces which, like new town developmenl corporations, could be wound up as soon as the revived localily could prosper without life support.

With all these provisos Mr Ridley's new corporations could have an importanl and positive role to play. Yet it remains a sad fact that tbe creation of each new urban development corporation will be an indictmeni of the failure of commerce, industry and financlal institulions to band together with local authorities in mulually beneficial local projects of the sort wbich Birmingham is belatedly promoting and whlch Josepb Chemberlein would have advocated with passion.

LIBERALISING AGRICULTURE

A World Bank pipe-dream

By Anatole Kaletsky



NEARLY three-quarters of the Third World's population are farmers, hut government policies in most developiog countries discriminate heavily against farming. In the industrial countries, agriculture is universally protected and subsidlsed, although only 9 per cent of the labour force works on the land.

These curious paradoxes not only cost the world economy a minimum of $40bn per annum—they also help explain why malnutrition can remain endemic in most developing countries while the US Government pays its farmers to leave their wbeat fields fallow, and food stocks big enough to feed the whole of Africa five times over pile up in the silos and cold stores of Europe, America and Japan.

During the last few years, sucb contradlctions in agricultural policy bave moved to tbe centre of attention worldwide.

Even in the industrialised countries with the most powerful farm lobbies, like France, the US and Japan, politicians have become uoeasy about the budgetary costs of ever-growing subsidies and the pereunial threat of agricultural trade wars. The US Government has become aware of an even deeper problem—the manifest failure of its farm policies to achieve their main political objective, to protect small farmers and their bankers from financial disaster and to preserve the sturdy rural lifestyle of the American Dream.

In the Third World, meanwhile, the famines in Africa and the debt crises in many other countries have exposed goveroment development policies to unprecedented international probing and underlined their failures, particularly in their impact on domestic food production and agricultural trede.

As a result of these developments, interoational economic conferences are seething wlth new inltiatives on agriculture.

The main aims are to liberalise agriculture ln the industrial countries, and to promote higher farm output lo developlng countries. These two currents of change have oow acquired a powerful, if not unstoppable, momentum, although questions are rarely asked about the ways in which they may interact.

How, for example, will the US government's wish to promote American grain exports correspond with the decisions of Third World countries to step up their own food production, thereby curbing imports and boosting their exports to the rest of the world? Should African countries which are trying to encourage domestic farmers with higher prices, open their borders to unrestrained cheap food imports under a more liberal regime which is set internationally for farm trade?

The World Bank, which has been the key institution promoting changes in agricultural policy in developing countries, has today published ao analysis designed to answer such questions. By devoting the bulk of its annual World Development Report to agricultural issues, the Bank has tried to put together a detailed case for worldwide agricultural liberalisation, based on the mutually reinforced benefits which it would generate for both tbe developing and the industralised world.

Ironically, the report ls at its most persuasive when illustrating why free markets in agriculture may be no more than a pipe-dream—and certainly that they are many years, or even decades, away.

The report documents the extent to which developlng countries pay their farmers below world market prices for farm products, whlle farmers in industriallsed countries almost invarlably recelve more than their products are worth in world trade.

The chart above shows the "rates of effective protection" for a variety of ferm products. These are the ratios of prices recelved by farmers relative to world prices, taking account of trasnport costs. Ratios of less than one indicate that farmers are effectively being taxed by their governments or marketing institutions. Ratios above one show tbey are being subsidised.

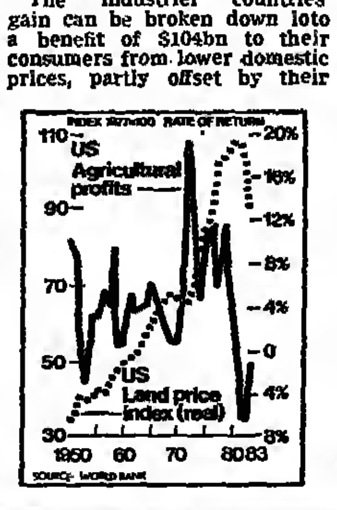
The chart shows that all food products from industrialised countries had ratios of one or more, wbile around two-thirds of the products from developing countries suffered effective taxation.

The outcome of these complementary distortions ln developing and industrialised countries is seen in the second chart. This shows the wav the balance of world food trade has moved steadily in favour of industrialised countries at the expense of the Third World. Since the early 1970s, industrialised countries have become net food exporters.

Initially the sales were mostly to the Communist countries. hut since 1978, the developing countries have become net importers of food.

In view of the current perversity of world trade flows, it is not surprising that large economic gains can be predicted for both developing and industrialised countriea from lberalising agricultural trade. If all countries exposed their farmers to world market prices for tbe main temperale-zone foods—grains, rice, meat and dairy products—the World Bank estimates tbat developing countries' national lncomes would rise by $18bn annually, while the industrialised countrles would gain $?bn. The only losers, by a margin of $23bn annually, would be the Eastero bloc countries (excluding China), which are the higgest beneficiaries of the dumping of the West's food surpluses on world markets.

The Industriel countries' gain can be broken down loto a benefit of $104bn to their consumers from lower domestic prices, partly offset by their farmers' $56bn loss. For the developing countries, in contrast, the main gains would go to the farmers, who would receive much higher farm gate prices.



Third World consumers would tend to suffer higher prices, but their losses would he much smaller than the gains of farmers, who would be able, in a liheral regime, to grow more food as well as charging a higher price.

Such calculations seem to present a simple case for international trade liberalisation. But the World Bank's model also illustrates the more elaborate issues which might arise if tbe industrialised and developing countries freed their markets in an unco-ordinated manner.

Furthermore, the World Bank points out that all its figures underestimate the full advantages of liberalisation because they cooceotrate ooly on temperate-zone products and fail to take account of long-term efficiency gains as investmeot throughout the world is redirected to more productive oses.

They do, however, illustrale s surprising point. The Third World and the first world both, ln theory, have a grealer interest in liberalising their own agricultural policies than in trying to force freer markets on each other. The reason for this is simple, but politically explosive.

The main benefits from lberalisation in the West come from cutting the incomes of surplus farmers. The main advantages for Third World countries come from raising food prices to their own urban consumers.

The main benefits from agricultural liberalisation in the West come from cutting the incomes of farmers in places like Lincolnshire, Hokkaido and Minnesota. The main advantages for third world countries come from raising food prices to urban consumers in Lagos, Mexico City and Manila.

This awkward political reality is the prime obstacle to the introduction of agricultural policies which would make more efficlent use of the world's resources. It is essentially an issue of income and wealth distribution to which the hroader arguments about free market policies and the role of the government in the economy are only tangentially relevant.

Like most Western proponents of agricultural reform, the World Bank makes this polnt, hut then sidesteps it in favour of a less than rigorous attack on the complex economic arguments which are sometimes advanced in favour of farm regulation.

The Bank argues, for example, that stahilisation of food prices through government marketing is an excessively costly policy in both industrialised and developing countries

It criticises Third World governments for operating state-owned food and fertilizer marketing organisations which squeeze private traders oul.

The real drawback of the World Bank's epproacb is that the economic complexity of its analysis of such peripheral issues as state intervention in fertilizer marketing distracts attention from its central political message about the need to redistribnte income away from farmers in industrial countries and towards farmers in the Third World. The price mecbanism may be assigned s crucial role in this, bnt wbether the transfer is performed entirely by market forces or remains under government control is a peripheral issue.

Wbat matters more is that political constituencies in bolh the West and in developing countrics come to understand more fully lhe true distribution of benefits from present distortions of agriculture markets.

In the industrialised countries, it is not the poor family farmers who gain from agricultural protection and subsidies. Within the sgricultural community, the benefits of higher prices go disproportionately to the large industrialised farms. But even more important, the ultimate beneficiaries of agricultural protection and subsidies are not the tillers, hut the owners, of agricullural land.

This basic ecooomic observation explains the seeming paradox that many working farmers, particularly in America, have lost tbeir livelihoods as subsidies have mushroomed. As the smaller World Bank chart shows, the steep rise in US land prices since 1970 has coincided with e hig drop in the rate of return in agriculture —US farmers are now going bankrupt essenlially because they mortgaged themselves to the hilt to buy land at excessive prices. If US and European farm prices fell drastically towards unsubsidised world levels, the ultimate losers would be landowners and banks which have lent on the collaleral of agricultural land.

In principle, there is no reason why agricultural policies could not be designed to impose losses on land prices, wbile providing income support for small farmers.

In the Third World countries, the central issue of agricultural reform is the precise converse of this process. Low farm prices provide subsidies for relatively wealthy urban consumers aod, even more important, are a way of taxing agriculture, which is frequently the country's main economic activity.

In order to raise farm prices, governments need to target food subsidies to the poorest urban consumers and reduce the privileges of the better off. They must also find alternative sources of tax revenues. The most obvious such source, as the World Bank points out, would be a tax on land values.

If such taxes were imposed, the overall effect of higher farm prices in Third World countries would be a massive redistribution of income from the richer urban consumers and landowners to tha poorest members of society, namely the smallholders and tenant farmers. Similarly, a shift in Western agricultural policies away from farm protection and subsidies would redistribute wealth away from the rich, particularly if the effects could be concentrated on agricultural land prices, instead of the iocomes of small farmers.

Thus a transfer from the rich to the poor is one thing which rational agriculture could achieve throughout the world. A cynic might say that this can explain immediately why all the paradoxes and distortlons in international agricultural policy have proved so enduring.

Men and Matters

Horrocks quits BL

BL, the state-owned vehicles group, managed to agree severance terms with Ray Horrocks, who was the executive director responsible for the cars division, just in time to prevent the possibility of an unseemly slanging match at yesterday's annual meeting.

Horrocks, 55, follows David Andrews who ran the commercial vehicles operations and resigned last month, is looking for a new job.

Ironically, BL's new chairman and chief executive, Graham Day, seems lo have got along well with Horrocks during their hrief acquaintance. Day said yesterday that, although be took over at the bead of the cars husiness as soon as he arrived in May, he bad offered Horrocks another joh within the group (Day would not reveal what the job entailed) and wanted him to stay on.

Day scotched suggestions that he had been under instructions from the UK Government to boot Horrocks out as soon as possible. He made it clear that if there was any suggestion that the Government wanted to "second-guess" hlm on management appointments or anything else, "they would bava to get someone else for this job."

Horrocks, wbo last year was paid about £95,000 by BL, worked with Ford and the Eaton Corporation in Europe before being recruited to BL by Sir Michael Edwardes in 1977.

He rose rapidly and in April, 1981, took over the car division whicb includes Austin Rover, BL Technology and the Unipart spare parts husiness.

Horrocks claimed recently he had been "disciptined" by Paul Channon, the Trade and Industry Secretary, for leading the opposition within BL earlier this yesr to a merger of Austin Rover and Ford — an idea which at tha time had considerable attractions for the Goverment.

He was punished, he suggested, hy being passed over for the cbairmanship of BL io favour of Day, who was Mrs Thetcher's personal choice.

"Lusaka, Sir Geoffrey? We don't do day returns, you know."

Horne's dilemma

Kenneth Horne, cbairman of the Robert Horoe Group, paper merchants, dealt with a challenge to his loquacity yesterday in a novel, if expensive, way.

On being awarded an hooorary doctorate of lelters at Leicester university for services to the university, Horne poinled out he had been instructed by the vice chancellor not to speak for more than two minutes. As the allotled period was up, he said, he proposed to buy more time. He tben promised the Nene College students union of the university £100 for every minute that he took from then on.

As the rest of bis message was all about tbe meaning of his family name lt dldn't take over long. The students cannot expect more than £200 according to those present with stop-watcbes.

He felt the money well spent, however, to explain that anyone called Horoe with the "e" on the end has a name containing the secrets of success. It atands, he explained, for "enterprise, enthusiasm, eloqnence, energy, efficiency, equanimity, ethics and excellence."

Worth £200, I would say, to get that off your chest.

Fat profits

Ian Hutcheson claims he was the first, in 1954, to spot the consumer appeal of margarine with 10 per cent butter. Bnt his success was short-lived. The small company that be was then running with his uncle, Peter Acatos, was quickly overwhelmed by competition from the major producers.

Hutcheson, now 56, bad been pushed into a husiness career by his uncle while studying for the Cbartered Institute of Secretaries. "We employ secretaries," he was told, "so get out and do some business."

Bnt lt was 12 years—and a lot more frustralions—later before be began his come-back from that first rapidly stifled initiative.

Finding his ideas ignored by associates in the fats lndustry, Hutcbeson decided, over a drink with a couple of friends ln a London pnb, to set up his own company.

He and bis friends mortgaged almost everything they owned, raised £21,500, and in 1966 set up Acatos & Hutcheson.

In the 20 years since, Hutcheson has built the business, trading as Pura Foods, into what be claims to be the biggest independent edible oils and fats group in the UK, second only to Unilever. Virtually everybody in Britain, be reckons, now eats some A & H product every day in one form or another.

With a turnover last year of £267m, and pre-tax profits of £4m, Hutcbeson will be seeking a full Stock Exchange listing leter this month.

Send for Jeeves

After all those generous literary prizes for great new novelists, tha bottom line in publishing makes depressing reading.

Trade forecasts are showing slow growth at best, with the possibility of sales stagnation staring publisbers in the face. And this dismal state of affairs is in spite of a Niagara of titles which continues to pour from the presses.

This helps to explain why the Book Marketing Council, the veteran campaigner for such causes—to take a few at random—as the Best of British Novelists, Books for Babies, Authors USA, and other promotions designed to shanghai more members of the publlc into hookshops, was clearly on the lookout for new ideas at its annual conference in London yesterday.

Maggie van Reenen, the BMC's director, will develop the Bnroing Issues reading lists launched this year in response to events in South Africa.

More cbeerfully, next year's promotions will include helated ballyhoo for comic literature

This appears to be the long-awalted signal for the reinstatement of the master P. G. Wodehouse to his proper pinnscle in English comic writing. But Miss van Reenen will only say cautiously, "The range will be wide. And it won't necessarily be all fiction."

Devotion

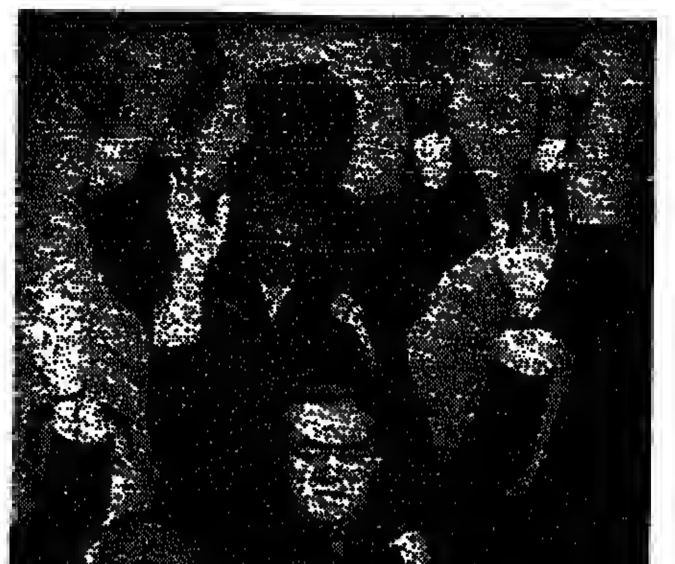
The official guide to Crickbowell, Wales, tells us that, "the town centre has an excellent range of shops, two banks, several other places of worship."

Observer

Mr. NAKASONE'S LANDSLIDE

The voice of Japan

By Jurek Martin, Far East Editor, in Tokyo



VISIBLE DISPLAYS of hubris do not become Japanese politicians. Humility is the preferred demeanour in victory as in defeat. But yesterday Mr Yasuhiro Nakasone was finding it hard to stop the corners of his mouth twitching with pleasure as he sought to explain solemnly how it was that he had presided over the biggest electoral triumph in post-war Japanese political history.

For he knew, and Japan knew, that although the magnitude of the victory owed a lot to the quality of the ruling Liberal Democratic Party's machine and to the appalling inadeqnacy of the opposition parties, it was very much an endorsement of his style, his substance and his ideas of the direction the country should be heading. He had, after all, engineered the election, over the objections of some LDP elder statesmen whose word used to be law in the party, and then conducted it in his unique blithe spirit. Centre-stage belonged yesterday to nobody else.

Yasuhiro Nakasone, 68 now and looking, if anything, younger than when he became Prime Minister 44 months ago, has always been a politician with a difference, especially by Japanese standards. Even though the product of a machine, he often marched to his own drummer. He could cut deals with the best of them—one, with the arch-machine politician, Kakuei Tanaka, made him Prime Minister — but he could also go out on a limb.

He has, for example, never hidden his nationalism beneath the bushel that most of his fellow politicians prefer. When he talks of "settling the post-war accounts," he means restoring a Japaneseness to the nation's life that he feels was eviscerated by the US occupation. His critics hint darkly that he is engineering a restoration of dangerous nationalism; his response is that Japan must not only recognise the good and bad of its past but also acknowledge that it has come a long way since its defeat in the war and that it has done so, at least in part, on the strength of qualities that are uniquely Japanese.

Yet he does see Japan as being a full player on the international circuit. Fortunately for him, the distinctive Western players—President Reagan and Mrs Thatcher—share a common conservetism and distrust of the Soviet Union. Had Mr Nakasone been Prime Minister in the late 1970s, for example, he might have found a less sympathetic external audience. As it is, there are elements of prevailing Western theology, the belief in free markets above all, to which Mr Nakasone's subscription is qualified, his preaching of the virtues of internetionalisation notwithstanding. He is, to the last, Japanese.

Unlike most politicians of his generation, he also likes policy as well as power. Earlier in his career, as head of the Defence Agency and as Minister for International Trade and Industry, he had the uncommon attribute of boning up on his briefs and forming his own opinions, rather than simply serving as the mouthpiece of his bureaucrats. As Prime Minister, the same talent has been applied; and where the civil service has disagreed with him, he has not hesitated to rely on external expertise. He has put together, in effect, a floating kitchen cabinet of Conservative thinkers, not acolytes.

There was a time, even in the past few years, when this quality of independence was as much of a hindrance as a help. His initiatives in 1983 to form an even stronger political-military relationship with the US were intermittently slapped down or frustrated (he still has not secured removal of the ceiling on defence spending). In tha election of 1983, when the LDP floundered badly, the perception that he was arrogant and not a team player was a cootributory cause to the setback.

But Mr Nakasone survived with exceptional resilience and resource. Nobody thought he could work together with Mr Shin Kanemaru, the LDP's popular and tough secretary-general, as well as has turned out, simply because Mr Kanemaru was thought to be pushing Mr Noboru Takeshita, the Finance Minister, for Mr Nakasone's job. In the event, the Prime Minister's dominating personality found a perfect foil in the secretary-general'e tactical nous. Sunday was the proof of the pudding.

His abilities to get on with foreign leaders are now a matter of record. The Nakasone difference is that, in these negotiations, he often brings to bear a perception of a shared interest, rather than a narrow Japanese one. After the summit in May, he was hauled over the coals by Japan's "opinion makers" for failing to halt the rise in the yen and for exposing Japan's interests in the Middle East by endorsing an anti-terrorism declaration. Yet, to the extent thet the election constitutes evidence at all, the Japanese public sensed that Mr Nakasone did the right things. The fact that he can deal with other heads of government on equal, not inferior, terms, appears to be a source of national satisfaction.

It is indisputable that he has had, while in office, no serious rival for attention. His foreign policy forays have eclipsed the earnest endeavours of Mr Shintaro Abe, his Foreign Minister; he can explain economic policy lucidly enough to make Mr Takeshita appear a country bumpkin and the economically literate Mr Kiichi Miyazawa, LDP executive chairman, a suspect theoretician. Mr Nakasone may not be a profound thinker on economics but he does his homework.

In sum, regardless of whether he remains Prime Minister after October, when his second term as party president expires, Mr Nakasone has cast a very long shadow over the Japanese political system. Only Mr Abe has had the nerve to say in public that he is intent on ousting Mr Nakasone — and that was both before the election results came in and on the premise that he would continue the Prime Minister's policies. In any event, if Mr Nakasone does decide to step aside or if he loses a third term in some smoke-filled tatami room, he will at least have a very large say in choosing his successor. There is also a growing school of thought which believes he would like to return to office if and when any successor gets into deep water.

All humility aside, Yasuhiro Nakasone likes being Prime Minister (unlike some of his predecessors). He exudes confidence and a sense of power, charging from meeting to meeting at a pace which leaves his secret service guards gasping for breath. He plays his tennis, his chess, paints his fans, does his Zen meditation. And he leads. He has become, indisputably, the voice of Japan. Given the absence of such for years, that is no mean achievement.

AFTER CHERNOBYL

The nuclear post-mortem

By David Fishlock, Science Editor

THE POST-MORTEM promised by the Soviet Union soon after the Chernobyl nuclear disaster will take place in Vienna from August 25 to 29. It will be hosted by the International Atomic Energy Agency, at the requests of the Soviets.

The world is already 15 per cent dependent for its electricity on nuclear energy — with countries such as Belgium, France, Sweden and Scotland 50 per cent or more dependent. So the post-mortem is a crucial exercise in public reassurance. If the experts cannot demonstrate convincingly that what happened to Chernobyl no 4 reactor is so incredible that any repetition can confidently be discounted, the nuclear industry must surely fade for lack of public support.

The Soviet Union itself may not be unduly bothered about the economic impact of abandoning nuclear energy in the West. But it has its own interest, inasmuch as the RBMK-type reactor which has killed 27 and displaced many thousands of Soviet citizens is unique to that country. Moreover, Russia has invested heavily in this reactor type and is still busy building units half as big again as the 1,000 Mw reactor which blew up.

The post-mortem promises to be a major engagement of wits and wills between East and West. Perhaps two dozen Soviet experts will present the analysis of events of the night of April 26 and the frightening fortnight which followed, as they fought the nuclear fire and then the danger of meltdown.

To be convincing to the hundreds of Western experts expected to be present, they will need to disclose in great detail design, operating and safety data for a reactor originally developed as a source of plutonium for nuclear weapons and never exported commercially. Detailed data, unlike that for Western commercial reactors, has never been lodged with the IAEA in Vienna.

But no matter how willing the Soviets are now to reveal reactor secrets, they may have some very genuine difficulties because so much evidence lies buried under 5,000 tonnes of sand, clay, lead and boron used to reseal the radioactive core. Much depends on how detailed a picture was recorded by the equivalent of the airliner's "black box," in the control room; and also how much the plant management knew of "experiments" being made at 1.23 am on a holiday weekend.

There are four broad areas on which Western experts are eager to question the Soviets:

● The incident—in particular, the event which triggered the accident sequence.

● The radiological consequences — what leaked from the reactor, where, and who and what were affected.

● The public emergency — how the crisis was handled by the Soviet authorities.

● The recovery — how they regained control of a runaway reactor.

CHERNOBYL CALENDAR

April	26	Reactor No. 4 explodes.
April	27	Main evacuation begun (36 hours later), but takes over a week.
April	28	Swedes detect airborne radioactivity from USSR; Moscow acknowledges responsibility.
April	29	Moscow admits reactor on fire, asks for help.
May	2	Radioactive cloud reaches Britain, about 2,000 miles.
May	6	Moscow, at first press conference on accident, says reactor almost resealed.
May	8	Moscow admits resealed reactor is overheating; meltdown scare.
May	15	Mr Gorbachev ends 18-day silence: "the worst is behind us"—9 dead, 299 hurt.

The incident — From its limited knowledge of the design and control of the RBMK reactor, the West has pieced together scenarios which explain the accident in terms of a hydrogen gas explosion violent enough to bring several hundred tonnes of machinery crashing down upon the reactor, splitting wide open its radiation shield of concrete which seals in its deadly radiation.

What is missing from all scenarios is the very first event. What initiated the accident? Why did the controls fail to catch it?

The Soviets have spoken authoritatively of "experiments" by which the West has assumed they mean tests of some changes made while the reactor was shut for maintenance, as was the case when the accident occurred. They can think of a score or more of things the operators might have been testing at the 7 per cent power level apparently maintained as the shut-down condition of this reactor, in order to speed its return to full power.

But perhaps they really were doing an experiment. If so, will they disclose details, particularly if it was of military significance? Or did someone simply make a very gross blunder?

This question leads naturally to the sensitivity of the RBMK reactor. It has emerged that this reactor needs particularly elaborate control and safety mechanisms, to contain a characteristic called positive void coefficient. This simply means that there are circumstances under which the reactor can run away.

Western reactor designers have preferred to avoid this characteristic, so that they have to rely rather less on the controls and more on the intrinsic safety of their systems. They have abandoned designs which exhibited the characteristic.

But the Soviet designers would be fully alive to its limitations. They also have considerable experience of the pressurised water reactor, the most common Western reactor, with its greater intrinsic margins of safety. Nearly half of Russia's nuclear electricity, as well as its submarine fleet depends on the PWR.

The West will also be keen to hear of any earlier experiences the Soviets may have had of the sensitivity of the RBMK. Were there earlier, undisclosed reactor accidents? Did an alleged fatal accident at a military nuclear site involve a reactor rather than radioactive waste, as Western evidence suggests?

Radiological consequences— The West wants to know what kinds of radioactivity escaped from the reactor: how much, where it went, what has happened to it. The disaster affords a unique situation in which up to a million times as much radiation was spilt as was released from the Three Mile Island reactor in 1978. The West can examine its current hypotheses and assumptions about the consequences of a major nuclear accident against the Soviet experience and so is eager to extract every bit of experimental data.

Nevertheless there are fears that the data may be sparse, simply because the overwhelming preoccupation for the first two weeks was to regain control of the reactor, as the accompanying calender shows. There will also be domestic difficulties for the Kremlin when many thousands of its own citizens will still be asking: "when can we go home?" Even if it has radiological data, it may prefer to withhold it rather than upset so many evacuees.

As for the 27 who died fighting the fire, the West wants to know whether any attempt was made to advise them of the special danger they faced, and to limit their exposure, either with shielding or by time. Or were the firefighters simply encouraged to follow their instincts and fight on until the inferno subsided?

Post-emergency evacuation— The Soviet Union had evacuation plans for a major nuclear accident. How well did they work, given the large population involved? How did the Russians set about sheltering and reassuring their citizens? Did they monitor the radiation exposure of their evacuees? Did they persuade people to avoid contaminated food and water?

Reactor recovery — How the Soviets regained control of their reactor is an epic story, full of heroics, but also a unique engineering experience. Now the West expects it to be retold in painstaking detail, for experts to make their own judgments on the steps taken to cope with the crisis. When Three Mile Island ran amok, the world soon learned in great detail just what actions the operators had taken to try to recover the situation—and just where they went wrong.

The IAEA has issued no invitations yet to its member-states to nominate delegates for the meeting. But teams are already being drawn up, on the assumption that each will be permitted no more than a handful, perhaps five at most. The chosen few must combine the expertise to spot points on which the Russians may be withholding data, for whatever reason, with the diplomatic skills to persuade them that there may be more to gain by revealing all.

Letters to the Editor

Single European Act

From Mr T. Taylor MP

Sir,—I hope that, on reflection, your excellent newspaper will question whether Ian Davidson's article (July 7) gives readers a fair and objective account of the Parliamentary debates on the Single European Act. He states that the objections have been restricted to "bleatings" by "an anti-European rump" in Parliament, but you must know that Select Committee of both Houses of Parliament have expressed grave reservations about the consequences of this extension of the Treaty of Rome, and that many of those who have spoken against provisions of the Act are traditional and committed advocates of the EEC.

Mr Davidson states that the provisions of the Act will bring about a free market in insurance and banking which "have been frustrated precisely by the veto power of foreign countries." Where is the evidence of this? As a director of an insurance company operating in the EEC, I am well aware of the problems, but the difficulty is not a shortage of directives, regulations or agreements. In fact our Trade Minister explained to Parliament recently that existing directives guarantee, at least in law, "a free market for reinsurance and freedom of establishment for both life and non-life insurers." The outstanding directive, on non-life insurance services, has been delayed simply pending the outcome of four insurance cases being considered by the European Court.

Certainly the new Act will produce a cascade of new harmonising directives and regulations, but it is not a shortage of such paper which is the problem of the EEC. There is no better example than the agreement made on December 4 1984 on the financing of the Community. Following the bankruptcy of the Community, member states agreed to an extra 40 per cent in real terms in the VAT contributions on the strict understanding that the additional money would last for several years, that strict budgetary controls would be introduced, and that the rate of increase in farm spending would be curbed. We are now only six months into the first year of such strict control, but already the extra cash has been spent and more, budgetary controls are a sick joke, and farm spending is out of control.

The Single Act is not designed and will not in practice solve any of the EEC's basic problems, but will simply produce a flood of new bureaucratic and harmonising directives, give the Euro Assembly the power to block reforms unless all member states disagree with their views, extend the jurisdiction of the Community into areas like environmental policy and provide the European Court with a new treaty to implement. Mr Davidson argues that the commitment to a European Union is meaningless verbiage, but he must know that the inclusion of this commitment in the treaty provides a new context within which the Court will make its judgements.

It is certainly not just "anti-Europeans" who consider that the EEC should set its mind to solving the problems which it has, like overspending, bureaucracy and the Common Agricultural Policy instead of seeking to take new powers from member states. In fact, I would have thought that most supporters of the EEC would share this view if they studied the new Treaty — a task which I would commend to Mr Davidson.

Teddy Taylor.
(Secretary, Conservative European Reform Group),
House of Commons SW1.

Community radio

From Mr M. Spencer

Sir,—Last July the Home Secretary announced unequivocally that community radio was to be introduced in 1986. The recent Government U-turn on this issue has lost my company a year's effort and several thousand pounds involved in developing a transmitter designed to Home Office specifications issued at the time.

How does the Cabinet reconcile this to its declared policy of creating an encouraging environment for small businesses? The problems of control and accountability cited by Douglas Hurd were well known when the experiment was first announced.

Martin Spencer,
11 Barclay Oval,
Woodford Green, Essex.

Technology at school

From the General Secretary, National Union of Teachers

Sir,—I am writing to correct the false impression given in your report (July 3) on the opening of a private primary school concentrating on technical subjects. Readers should not be misled into believing that technology is an unknown feature in today's state primary schools.

In fact, technology in various forms is a normal part of the modern primary curriculum for five year olds upwards. Computers are not confined to secondary schools, as most primary schools in England and Wales have them for use in the classroom. Technology kits of various kinds are used to build mechanical devices such as cranes and diggers. Craft design and technology and even robotics are also common subjects for topic work.

In summer 1982 one of the NUT's professional journals focused on the subject of "Microcomputers in primary education." The union, like other education organisations, has also run many successful courses covering different aspects of technical and primary education.

Fred Jarvis.
Hamilton House,
Mabledone Place, WC1.

Incommunicado in the City

From Mr C. Hardcastle

Sir,—Problems caused by failures in communication equipment in the City are legendary and on July 2 there was a major power failure to add to the confusion.

A peculiarly infuriating aspect which seriously affects overseas business is that when there is such a failure in equipment, incoming callers still get a ringing tone and the old unobtainable response is no longer given.

Is this a fault of equipment design or British Telecom's operations? Either way, do we now have to live with this for ever until we can use alternatives to BT?

C. P. B. Hardcastle,
3, Gracechurch Street, EC3.

Tax on working parents

From Mr D. Gee and others

Sir,—Unlike governments in the US and Canada, which use tax incentives to encourage employer initiatives on childcare, this Government has refused to remove or ameliorate the tax that working parents now pay on any contribution their employers make towards workplace nurseries. In contrast, the predominantly male benefit of company cars is taxed at about one-fifth of the rate levied on the working mother who receives equivalent financial help with a nursery place, despite her own sizeable contribution to the benefit.

Can it really be true that our society prefers to encourage the provision of cars, rather than decent childcare arrangements?

Employer assisted nurseries benefit children, help working parents to combine work and childcare with the minimum of stress and economic disruption and enable employers to take more complete advantage of the whole labour force. Nurseries should be encouraged, not discouraged. Several MPs will be submitting new clauses to the Finance Bill which, if accepted, will remove a severe impediment to employment. Their acceptance by the Government would make a significant contribution to Industry Year.

David Gee (Workplace Nurseries Campaign),
Joanna Foster (Industrial Society—Head of Pepperell Unit),
Sue Slipman (Director, National Council of One Parent Families),
Margaret Joachim (Chairman, The Fawcett Society),
Barry Curnow (Vice-President, Institute of Personnel Management)
c/o Room 205,
Southbank House,
Black Prince Road SE1.

Rallies too short

From Dr S. Castell

Sir,—It was good to see (July 4) some of your thoughts for making tennis once again a more "interactive" sport and I feel sure you have put into words what many of us amateur, social players and spectators have felt about the Wimbledon-level stratospherically-remote "tennis from heaven." I have long had a few ideas of my own for making it more fun to participate in the game than, necessarily, to win: handicap tennis (handicaps reflecting not just final scores, but also inversely related to numbers of strokes in rallies), 3-a-side tennis ("triples—a side made up of two players each restricted to movement within their respective service box and tramlines, plus one player restricted to the back court area and both tramlines—and no volleying allowed); no-side tennis (all players may circulate around the court, on either side of the net, the objective being simply to keep the ball in play).

Such ideas might open up the game to many more reasonably sporty participants who neither have the inclination to be pat-ball gamesmen (the recipe for success at much social, local club-level tennis), nor the super-fit athleticism to be the deadly serious "crash-bang-wallop" merchants you identify for tennis from heaven.

Then we might once more truthfully be able to say "It is better to have lobbed and lost than never to have been at love all. . ."

(Dr) Stephen Castell,
20 Grange Road,
Wickham Bishops,
Witham, Essex.

FINANCIAL TIMES
Tuesday July 8 1986

Crisis for W. German shipyard

BY RUPERT CORNWELL IN BONN

THE CRISIS in the West German shipbuilding industry deepened yesterday as Harmstorf, one of the country's larger groups with three yards on the north German coast, announced that it was seeking protection from its creditors in a last-ditch bid to stave off bankruptcy.

Harmstorf's move, under West Germany's *Vergleich* (composition) proceedings, is the latest proof of the need for a further painful bout of rationalisation and capacity cuts in the shipbuilding sector.

The *Vergleich* measure in effect buys time for Harmstorf to attempt to work out an agreed solution and save as many of its 3,300 jobs as possible. If its creditors can be held off – which requires that its net assets be equivalent to at least 35 per cent of total claims upon it – then this reorganisation will almost certainly take place as part of a general restructuring of the industry.

Harmstof's difficulties have been plain for several weeks. On Friday trading in shares in the group, which has annual sales of some DM 500m ($230m), were suspended on the Hamburg stock exchange, as the Defence Ministry in Bonn, which is an important contractor for the group, made clear that it would not provide any emergency assistance.

The prospects for a long-term solution depend in part on the attitude of creditor banks, but above all on Harmstorf's home state of Schleswig-Holstein, which in March provided DM 31m of aid – to no avail – and on the Economics Ministry in Bonn. But here too the omens are not especially encouraging.

Harmstorf's difficulties are merely one example of the straits of the entire German shipbuilding industry, faced with ever fiercer price-cutting by yards in Japan and South Korea, and extra problems of competitiveness caused by the recent strong rise in the D-Mark. Its share of the world market for new vessels has tumbled in the last 10 years to barely 3 per cent from over 7 per cent.

An upturn in 1984 proved short-lived, and in March the industry's central federation warned that capacity utilisation would tumble to 47 per cent in the second half of 1986, from a comparatively healthy 83 per cent in the first six months. New orders in the first quarter dropped to only DM 230m, less than a third of the level for the same periods of 1984 and 1985.

Last week a delegation from the north German coastal states pleaded with Mr Martin Bangemann, the Economics Minister, for emergency Government help. Bonn, however, is publicly committed to reducing subsidies to industry, and Mr Bangemann made clear that nothing would be forthcoming, at least until the states had come up with a detailed reorganisation plan.

US court ruling hits budget reform law

BY STEWART FLEMING IN WASHINGTON

THE US Supreme Court yesterday struck down as unconstitutional the key provision of the Gramm-Rudman budget reform law requiring a balanced Federal budget by 1991.

The decision makes it unlikely that Congress will achieve the ambitious target of cutting the budget deficit to $144bn in 1987.

The court ruled that the provision in the *Gramm-Rudman* law for automatic spending cuts violated the separation of powers between Congress and the president required by the US constitution.

Chief Justice Warren Burger, in his final opinion before retirement, said the law placed responsibility for the execution of the automatic spending cuts it mandates in the hands of an officer, the Comptroller General, who is subject to removal only by itself. By so doing "Congress in effect retained control over the execution of the act and has intruded into the executive function," wrote, adding "the constitution does not permit such intrusion."

The controversial Gramm-Rudman law was passed by Congress in December amid deep fears over the outlook for the budget deficit and with the support of a divided Reagan administration. It said that if Congress could not draft and implement a federal budget meeting the targets for eliminating the deficit by 1991, then, under the guidance of the Comptroller General, automatic cuts in government spending would be made.

The provision for automatic cuts was widely seen as a device by which Congress could, in this mid-term election year, deny responsibility for swingeing spending cuts which would antagonise voters.

The ruling, approved by seven of the nine Supreme Court justices, leaves intact other major provisions of the law. These included a fall-back mechanism to cover the possibility that the automatic spending cuts would be declared unconstitutional. But that provision requires Congress to pass a resolution implementing the cuts.

With the budget deficit outlook deteriorating rapidly the chances that Congress will act in this way look slim.

The deficit target for the 1987 budget is $144bn and late last month Congress passed a budget resolution which nominally met this target. But it was based among other things on economic assumptions and assumptions about tax revenues which no longer look credible.

President Ronald Reagan in February projected a budget deficit for 1986 of $203bn, but Wall Street is now anticipating a deficit of between $210bn and $220bn. Congress is widely expected to baulk at the daunting challenge of achieving the $144bn target for 1987 from such a starting point. It has already failed to meet the timetable for preparing the 1987 budget written into the Gramm-Rudman-Hollings law.

Reactions to the Supreme Court decision were muted. Senate majority leader Robert Dole said Congress had the responsibility to balance the budget before the budget reform law was passed.

World Bank foresees 'decade of opportunity'

BY ANATOLE KALETSKY IN LONDON

DEVELOPING countries' prospects for the next decade will "range from awkward to grim" with unpredictable consequences for major debtors if the industrialised world fails to improve on the sluggish economic performance it has shown since the 1973 oil shock.

But the world economy could also be on the threshold of "a decade of opportunity" if appropriate policies are implemented in both the industrialised and the developing countries.

These are among the main conclusions of the World Bank's 1986 World Development Report which is published today. As usual the report puts forward two "scenarios" for world economic performance. These are based on differing assumptions about policies and performance in the industrialised countries, but both assume that economic policies will continue to improve moderately in the Third World.

In the Bank's "low growth scenario", sub-Saharan Africa would suffer a further 10 years with no improvements in per capita incomes, while middle income debtor countries would "face the hard choice of how much of their resources to channel to servicing existing debt and how much to allocate to current consumption and investment."

The consequences of confronting debtors with such a choice are "impossible even to sketch," the World Bank comments.

This low scenario assumes a growth rate in industrial countries of 2.5 per cent annually over the next decade – exactly equal to the average rate since the 1973 oil shock but slightly faster than the growth experienced in the industrialised world since 1980.

If, on the other hand, industrialised countries managed to return to a rapid growth rate of 4.3 per cent annually – comparable to the growth they enjoyed in the period before the first oil crisis – the Third World would also be able to grow rapidly, at an average rate of 5.9 per cent a year.

In this "high scenario" the Third World's exports and imports would both grow by more than 7 per cent annually, while total inflows of foreign capital would grow by 4.5 per cent a year as voluntary inflows from banks and direct investors increased.

The main difference between the two scenarios lies in the policies adopted by industrial countries

Liberalising agriculture, Page 17

Howe postpones visit to South Africa

Continued from Page 1

man, who said Sir Geoffrey had been given a "humiliating snub" by President Botha.

Mr Healey pressed the Foreign Secretary, without success, to say whether he was now committed to sanctions if his visit failed and it did not secure the unconditional release of Mr Nelson Mandela, the jailed African National Congress (ANC) leader, and the lifting of the ban on the ANC, the black South African opposition movement.

In Lusaka, where he is due to arrive tomorrow morning, Sir Geoffrey is expected to meet Dr Kenneth Kaunda, the Zambian President, and representatives of the ANC.

It is not yet clear whether the ANC delegation will include Mr Oliver Tambo, the movement's leader, who had discussions with Mrs Lynda Chalker, a junior UK Foreign Office minister, in London recently. Nor is it certain that Mr Robert Mugabe, the Zimbabwean Prime Minister, will agree to see Sir Geoffrey.

Dr Kaunda is expected to pull no punches at tomorrow's meeting with Sir Geoffrey, Zambian officials said. He will underline his opposition to the European Community's South African initiative, decided at the Hague EEC summit last month.

Dr Kaunda is also likely to repeat his warning that Zambia might leave the Commonwealth if Britain maintains its opposition to sanctions against South Africa.

Dr Kaunda will be meeting Sir Geoffrey not only in his capacity as Zambian President, one of the longest-serving heads of government in the Commonwealth, but as chairman of the group of six frontline southern African states. These states are in the forefront of demands for tougher measures against South Africa.

Officials expect President Kaunda to repeat the group's view that Britain should take a leading role in co-ordinating fresh economic sanctions against South Africa. Although Zambia, together with most of the frontline states, is vulnerable to South African retaliation through restrictions on transport facilities or trade embargoes, Dr Kaunda will argue that it is a price worth paying. The Zambian President firmly believes that sanctions will help to shorten the life of the Government in Pretoria.

President Kaunda will also be highly critical, say officials, of the decision by the European Community to send Sir Geoffrey to South Africa.

Rainbow Warrior deal

Continued from Page 1

and Captain Dominique Prieur are to be transferred from a New Zealand prison to the island of Hao, 900km from Tahiti, which serves as a staging post for the French nuclear testing ground at Muroroa. Although sentenced to a 10-year term, they will be required to remain on the island three years.

Mr Lange had earlier this year ruled out any question of an early release apart from remissions allowed under New Zealand law. While the New Zealand Government yesterday interpreted the transfer as continued detention, French Government officials gave the impression that the two agents would be treated like other officers on the island.

Under Mr de Cuellar's ruling they will be allowed to see their family and military personnel but not to give interviews to the press. They will not be allowed to mix with the local population.

The ruling also provides for verification procedures to ensure that they do not leave the island, including three monthly reports by the French authorities to the UN.

As a result of the agreement, New Zealand has won assurances from France that it will approve the EEC Commission's proposals. Under a 1984 agreement these were tentatively for butter quotas for New Zealand of 77,000 tonnes next year and 75,000 in 1988 as opposed to 79,000 tonnes this year.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	26	79	Dubrovnik	F	26	79	Malta	–	–	–	Rhodes	S	27	81
Algiers	S	31	88	Edinburgh	F	15	59	Manchester	F	16	61	Rio de J'o	R	25	77
Amsterdam	F	17	63	Faro	S	24	75	Manila	C	33	91	Rome	S	27	81
Athens	S	30	86	Florence	F	27	81	Melbourne	F	12	54	Salzburg	C	16	61
Bahrain	S	37	99	Frankfurt	F	19	66	Mexico City	C	22	72	San Francisco	F	12	54
Bangkok	S	34	93	Funchal	F	22	72	Miami	S	25	77	Seoul	S	29	84
Barcelona	S	26	79	Geneva	S	20	68	Milan	S	25	77	Singapore	F	31	88
Beirut	S	22	72	Gibraltar	S	25	77	Montreal	S	25	77	Stockholm	F	23	73
Belfast	F	15	59	Glasgow	F	16	61	Moscow	F	30	86	Strasbourg	C	16	61
Belgrade	C	28	82	Guernsey	F	16	61	Munich	R	14	57	Sydney	F	16	61
Berlin	F	20	68	Helsinki	S	17	63	Nairobi	S	21	70	Taipei	C	34	93
Biarritz	F	21	70	H. Kong	S	32	90	Naples	F	26	79	Tangier	F	24	75
Bombay	F	29	84	Innsbruck	C	16	61	Nassau	C	33	91	Tel Aviv	S	27	81
Bordeaux	C	21	70	Inverness	F	15	59	New Delhi	S	38	100	Tenerife	S	24	75
Brussels	C	16	61	I.o.Man	C	29	84	New York	S	25	77	Tokyo	R	22	72
Budapest	R	21	70	Istanbul	F	26	79	Nice	S	26	79	Toronto	S	25	77
B. Aires	C	14	57	Jakarta	C	32	90	Nicosia	S	35	95	Tunis	S	33	91
Cairo	S	33	91	Jersey	C	19	66	Oporto	S	21	70	Valencia	S	29	84
Cape Town	S	18	61	Jo'burg	S	16	61	Oslo	F	22	72	Venice	F	25	77
Caracas	C	26	79	Lima	C	18	64	Paris	C	18	64	Vienna	F	22	72
Casablanca	S	23	73	Lisbon	S	24	75	Peking	C	29	84	Warsaw	R	17	63
Chicago	C	21	70	London	C	17	63	Prague	R	13	55	Washington	S	28	82
Cologne	C	20	68	Los Angeles	F	17	63	Reykjavik	S	11	52	Zurich	C	19	66
Copenhagen	C	17	63	Luxembourg	F	15	59								
Corfu	F	26	79	Madrid	S	32	90								
Dallas	S	24	75	Majorca	S	28	82								
Dublin	F	17	63	Malaga	S	28	82								

Readings at mid-day yesterday:
C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

McKechnie bid fails

BY DAVID GOODHART IN LONDON

McKECHNIE BROTHERS, the British engineering and plastic group, has narrowly escaped takeover for the second time in six months, prompting further speculation that the tide has turned against the recent UK wave of contested takeovers.

The £160m ($247m) bid from Evered Holdings, a fast-growing manufacturing conglomerate, attracted acceptances from holders of 27.6 per cent of McKechnie's shares. The 15.1 per cent bought by Evered gave it a total of 42.7 per cent.

When Evered launched the bid last April it seemed assured of victory. After several years of flat profits McKechnie was on the target list of a number of Britain's acquisitive mini-conglomerates and had been lucky to escape a bid from Williams Holdings.

However, in the past few weeks McKechnie has benefited from the general swing against contested bids and from some more convincing defensive presentations which stressed the imminent benefit of its heavy capital expenditure in the metals division and its successful diversification into plastics.

Dr Jim Butler, the McKechnie chairman, first heard the result yesterday afternoon when Mr Raschid Abdullah, the Evered chairman, rang to congratulate him. He said later: "We have passed a rigorous test. It is now imperative that McKechnie's management be allowed to concentrate on its primary task of producing further earnings growth for shareholders. We look forward to showing that their faith in us has not been misplaced."

He estimated at £2m the total cost of defending against bids from Williams and Evered and launching McKechnie's own failed bid for Newman Tonks – widely regarded as a "poison pill."

Defeat is a serious, but not mortal, blow for Evered. Its costs were highly geared to success and defeat will mean a bill of less than £1m, but it will be left with a 15 per cent stake in McKechnie worth at least 20p a share less than it paid for it after yesterday's fall. McKechnie fell 23p to 227p and Evered 14p to 258p.

Montedison to buy Fermenta

Continued from Page 1

the group's Standa retail network in Italy.

Montedison will more than double its group net profit this year to about L250bn ($166m) according to Mr Schimberni. Last year Montedison made a net profit of L113bn on L14,132bn ($9.4bn) of group revenues.

Montedison did not explain yesterday how it plans to finance the Fermenta acquisition, especially in light of its huge L5,000bn debt burden, which represents twice the level of shareholders' funds.

The group is busy launching a number of right issues on the Milan bourse, to raise around L1,800bn, but the proceeds had been expected to go toward debt reduction.

EEC will spend even more on agriculture

By Paul Cheeseright in Brussels

THE EUROPEAN Community will work its way out of its budgetary crisis by spending more.

Finance ministers, presided over by Mr Nigel Lawson, Britain's Chancellor of the Exchequer, accepted yesterday that agricultural spending, already taking the lion's share of the Community budget, will be increased to compensate for what they called "the abnormally large depreciation of the dollar."

The increase in farm spending will be part of a supplementary 1986 budget. It will be added to the figures established for the normal 1986 budget which never came into force because of a legal and constitutional dispute between the Council of Ministers and the European Parliament.

The proposal for a new Community budget for 1986, put forward by the Commission, covers spending totalling Ecu 35.1bn ($34.7bn), compared with a 1985 budget of Ecu 26.7bn, a draft Council budget for 1986 of Ecu 32.7bn and a preferred Parliament budget of Ecu 33.3bn.

Budget ministers started work yesterday on the details of the budget, but their meeting was interrupted by a bomb scare. A telephone call from a woman purporting to represent the Fighting Communist Cells which have previously attacked buildings in Brussels led to the clearing of the Council of Ministers' building.

The ministers need to define a budget in detail so that they can have talks with Parliament budget representatives today. But it rapidly became clear that with demands for spending straining against available revenue two clear camps have emerged.

Spain, Portugal and Greece were lined up against cuts in regional and social spending in order to top up the farm budget. Germany, France and the Netherlands were against any move to put off some of this year's farm spending until next year as a means of matching total spending to available resources.

Because the budget is decided by qualified majority vote in the Council of Ministers, either camp is able to block the demands of the other.

The British presidency last night was working on a compromise in the knowledge that unless a conclusion to the budgetary process is reached this week, there will be severe cuts in the Community's ability to meet its commitments.

Failure to agree between the Council and the Parliament on the details of the budget would mean that the Community would for the rest of this year have to revert to spending on a monthly basis of one-twelfth of 1985 budget appropriations. But the budget for 1985 was the last before the 12 agreed to increase their contributions and covered a Community of Ten.

Finance ministers yesterday laid down the guidelines for the work of the budget ministers. They accepted that farm spending will have to be increased. The problem here is that as agricultural commodities are quoted internationally in dollars, any fall in the dollar increases the cost to the Community of subsidising sales in Ecus.

It was also accepted that full account would have to be taken of commitments made to Spain and Portugal, who stand to be beneficiaries of the Community's regional and social funds. At the same time they accepted that attention would have to be given to clearing off obligations of the past: commitments have been made from the regional and social funds but no provision had been made for payment.

Bringing all these factors into play suggests that the total budget will look very much like that the Commission has proposed in its merged normal and supplementary budget proposals.

This cuts down the Parliament's room for manoeuvre in its discussions with the Council later this week, because the total figure is at the limit of the revenue the Community can receive from the 12. Parliament can argue about slicing the cake, but not the size of it.

Nakasone boosted by landslide win

Continued from Page 1

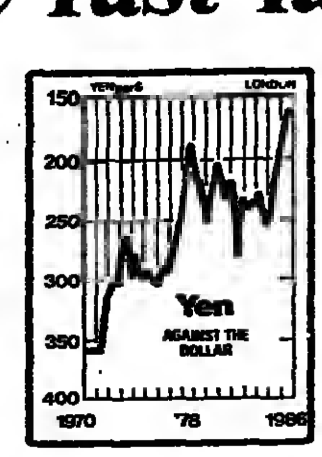
Minister, in their constituency in Gunma Prefecture. Mr Fukuda has now outpolled Mr Nakasone 10 times and lost only four in their head-to-head races in the multi-member district. In the Upper House, Mr Fukuda's brother also just edged out Mr Nakasone's son, though both were elected.

Finally, Mr Kakuei Tanaka, the bedridden godfather of Japanese politics, was again handsomely returned in Niigata prefecture, though his 179,000 votes were fewer than the 220,000 he got immediately after his bribery conviction in 1983.

THE LEX COLUMN

Roadworks in the fast lane

The escape of McKechnie, a company which must now think it enjoys a charmed life after repelling two takeovers in a year, makes it seem fairly clear that the period is over when contested bids by plausible entrepreneurs were a walkover. Though individual fund managers will doubtless feel just as much pressure for quarterly performance, and have just as much riding on the success of their favoured conglomerate builders, the prospect of compounding earlier gains is already looking remote: F. H. Tomkins, the recent buyer of Pegler Hattersley, may be the last conglomerate for some time to perform the trick of putting its paper to work.



If that sets up the congolmerates, and their enthusiasts, to the risk of an earnings slide – when the suspected lack of internal momentum stands to be exposed – the market will not be the worse for it; either the managerial holding companies will deliver the long-term earnings growth that they claim, or unsoundness will be uncovered, probably some of each. The opportunity cost of having fewer bids may be considerable for highly exposed growth funds, and for frustrated empire-builders, but not for the British economy or the London market as a whole.

The one section of society which stands to lose most, if the door has swung shut on this takeover cycle, is the corporate finance sector. Merchant banks, brokers, publicity agents and the rest – including newspapers – have been racking up remarkable revenues over the past year or so. The chances of continuing at the same rollicking pitch of activity have lately been looking dimmer by the day. The sickly performance of merchant banking shares, off 2 per cent yesterday is perhaps some measure of the fee income that the market no longer finds it sensible to capitalise.

Lloyds/St'd Chartered

Lacking in deftness, perhaps, the Lloyds bid for Standard Chartered remains a proper offer which shareholders have the chance to consider on its merits. Allowing Lloyds to proceed before obtaining Federal Reserve approval does seem to be in the shareholders' best interests – and probably those of the takeover panel, too. If Lloyds failed to get over 50 per cent acceptances this weekend, the panel would of course avoid having to consider a concrete request for an extension, and the Fed meeting on Wednesday week could escape having to think about the US regulatory issue. But the Standard share price, just below £8 last night, was suggesting that both bodies will be put on their respective spots. What the panel might do if the Fed were then to adjourn its decision *sine die* is not revealed.

Japan

When the yen rises to a record post-war level against the dollar and Wall Street takes a dive, the world is usually being told something. But when the Tokyo stock market also rises to a record while equity earnings are trickling away alongside high-priced exports, the message becomes a shade confusing.

At the very least, it is beginning to look as if it will take a train to stop the yen appreciating further against the dollar – or at least a good deal more than a spot of stimulation of the domestic economy and pressure from the outside world for a cut in the Japanese discount rate.

The landslide victory for Mr Nakasone and the possibility that he might even amend the constitution and seek a third term do not suggest that the Japanese public is baying for demand stimulation, even if a majority of 100 seats made that a political necessity. On the other side of the Pacific, the constitutional setback for the Gramm-Rudman proposals and the growing number of voices saying that it is the US economy that needs a shove are scarcely dragging the yen down. This side of congressional measures to restore the trade imbalance, the yen is just going to have to take the strain.

The Japanese stock market is having nothing of this. The no-nonsense election result was the last thing to produce a change of heart after the long run. The market has merely become more skilled and imaginative in discovering pockets of value in railroads and the like and in leaving the exporters to their complaining: and, with premiums contracting in the warrants market, yesterday was a fairly auspicious day for the launch of a new Japanese warrant fund by Robert Fleming. The Japanese bond market may also just have been celebrating but it does seem that a cut in the discount rate is more likely to occur in Japan than anywhere else.

Electronic Rentals

A business which can retain just £825,000 from turnover of £254m is clearly not performing well, though for Electronic Rentals even to earn its dividend, after years of raiding reserves, merits perhaps one half-hearted cheer. The hard work is by no means over as ERG must find some growth markets while it makes the best of the declining TV rental business. Both parts of the strategy are likely to prove expensive and with gearing at 130 per cent, ERG needs every penny of its substantial cashflow. The £50m spent on two acquisitions put more on the interest charge, up 25 per cent to £12.5m, than pre-tax profits, up from £15.2m to £16.5m in the year to March, while dilution left earnings per share unchanged.

The Carousel purchase probably accounted for the whole of the near £5m trading profit increase from UK rental, and the one percentage point rise in margins. Buying rental agreements to boost the volume through existing shops may prove more profitable than pinning hopes on new forms of hardware to rent. As for the move into retail, part of the Telefusion deal, ERG must be optimistic in looking for a competitive niche among the bigger chains. The 7.6 per cent yield, at 60p, is the shares' sole, and not very persuasive, attraction.

SECTION II – COMPANIES AND MARKETS

FINANCIAL TIMES

Tuesday July 8 1986

Maxwell emerges as late bidder for Scientific American

BY WILLIAM HALL IN NEW YORK

MR Robert Maxwell, tha British publishing magnate, yesterday confirmed that his Pergamon Press group had put in a last minute $61m bid for Scientific American, publisher of one of the world's most famous scientific magazines.

Mr Maxwell's bid came shortly after Scientific American had agreed to a $52.6m bid from Verlagsgruppe Georg von Holtzbrinck, West Germany's second biggest publishing group, one of more than half a dozen companies which bad submitted sealed bids last month.

Mr Maxwell is the world's leading publisher of scientific material, and Scientific American would mark a major expansion of his embryonic US publishing operations, which include ownership of Ad/Sat, a company which transfers advertising by satellite, Pergamon Infoline and part ownership of Independent Network Systems (INS) and Compucolor, a high-technology printing company. Mr Maxwell recruited Mr Jack O'Hara, a former chief executive of Readers Digest, to mastermind the expansion of his US operations early last year.

While the 141-year-old Scientific American would fit neatly into Mr Maxwell's publishing empire, there bave been reports that his interest has caused some concern among Scientific American employees who had been assured that any change in ownership would not involve management changes. Mr Maxwell's last minute bid may also be challenged by the Holtzbrinck group because the offer may have violated the terms under which the seven bidders submitted their offers for Scientific American last month.

Scientific American put itself up fnr sale last March. The group's flagship monthly magazine, which is published in nine languages, has been suffering from declining advertising revenue and fierce competition from newer rivals. Circulation bas been slipping and is now down to 600,000, and the magazine lost $475,000 on revenue of $24m last year. Five years ago the magazine earned $3m on sales of $26m.

The group's other operations, which include scientific textbook publishing and a moothly medical guide for physicians, are said to be considerably more profitable than the magazine.

People Express shares soar on bid reports

BY OUR NEW YORK STAFF

THE shares of People Express, the cut-price US airline which has run into financial trouble, soared in heavy trading yesterday oo uncoofirmed reports that it had received several offers for its operations.

Texas Air, one of People Express's main rivals, is said to be the front runner in bids to take over the company, reportedly with an offer of $12 a share, or about $310m. Mr Frank Lorenzo, chief executive of Texas Air, and Mr Donald Burr, People Express's founder, used to be close business associates but are now fierce competitors.

Texas Air is already in the process of taking over Eastern Air Lines, another major US carrier whicb bas been facing financial problems.

People Express shares, which had jumped 75 cents on Thursday, soared by another $2¾ to $8¾ in very beavy trading early yesterday. When the company first disclosed that it was thinking of putting itself up for sale last month, its shares were trading around $5.

People Express reported a net loss of $58m in the first quarter

BANKS ACCUSED OF CASHING IN ON SILVER SPECULATORS' MISFORTUNE

Hunt brothers take aim at their creditors

BY MARY FRINGS IN DALLAS

THE HUNT brothers of Dallas have not been much in the public eye since the great silver crash of 1980. Late last month, though, they filed the biggest lawsuit of their litigious careers against 23 creditor banks.

There was n slight blip on the news screens last October when it was learned that Nelson Bunker Hunt and his brother, William Herbert, had quietly disposed of most of their remaining board of more than 60m ounces of silver, taking a $1bn loss. But the news failed to move the market and was of only mainly historical interest.

The silver Hunts – as the two most entrepreneurial sons in the first family of the late eccentric, ultra-conservative billionaire oilman H. L. Hunt, bave been dnbbed – are reclusive and rarely photographed. They have never been part of the glittering Dallas social set.

It seemed out of character wben the gossip columns reported that Bunker, not hitherto suspected of philanthropy, is to support the Princess Grace foundation this October with a steeplechase at his Circle T ranch, to be attended by Prince Rainier and other members of the Monaco royal family.

Significantly, the only Hunt included in a list of the 20 most powerful Texans published by the state's leading business magazine in February was Ray, H. L.'s son by his second wife and beir to the original Hunt oil company. The magazine says that in contrast to his half-brothers Bunker, Lamar and Herbert, Ray Hunt "has opted for the more public life of community involvement and political activity on all levels. He views it as neither a sacrifice nor a nuisance."

Just as they did at the time of the 1975 wire-tapping trial in 1975 – when Bunker and Herbert were accused of Watergate-style methods of investigating alleged thefts at their father's H. L. Products company – the Hunt brothers have hired a public relations firm to improve their public image.

But the $3.6bn lawsuit filed by the first family trusts (which own Placid Oil and Penrod Drilling), the companies themselves, and the

Hunt brothers William Herbert (left) and Nelson Bunker make a rare public appearance at a House of Representatives investigation fnllowing the collapse of the silver market

three Hunt brothers and their sons individually, has drawn the comment from an uninvolved Dallas lawyer that hard times generate creative legal theories.

In a 46-page complaint charging the banks with deception and fraud in a conspiracy to destroy their companies, the Hunts use colourful language to identify "a pattern of wrongful cooduct" in what banks normally regard as prudent measures to obtain additional collateral and personal guarantees for troubled loans, in this case amounting to more than $1.5bn.

RepublicBank Dallas, which is agent and co-manager for $1.2bn in loans to Placid Oil, reacted swiftly with a printed statement that "Republic is confident that its actions with respect to the Hunts bave been both reasonable and lawful, and we expected to be fully vindicated in court."

Times have been hard for everyone in the oil patch for the past four years, and more so since prices went into a tailspin six months ago. But Placid – a name chosen, like Penrod Drilling and Profit Investment, because H. L. Hunt believed six-letter words beginning with P were somehow lucky – has been struggling under the additional burden of the Hunt brother's silver debts.

Dating from 1936, Placid became the chief asset of the Loyal Trusts set up by H. L. for his six children by Lyda Bunker Hunt, and the cornerstone of the first family fortune, so that in 1980 a family attorney was able to say "the children of H. L. Hunt are richer than their old man ever was."

In 1965 the company discovered the Great Black Lake nilfield in Oklahoma, and in 1976 its important North Sea gas field came on stream. According to insiders quoted by Harry Hurt in Texas Rich, his history of the Hunt dynasty, in the late 1970s Placid had the production equivalent of 100,000 barrels a day, annual gross revenues of more than $350m and nil and gas reserves estimated to be worth $4bn.

But Placid was the entity used to borrow money when the silver market collapsed, reducing the value of the Hunt's silver bolding by something like $4bn and leaving them with a mountain of debt, including a $665m delivery contract with Englebard Minerals that they could not meet. After a private accommodation had been reached with Englehard, involving the bandover of 8.5m ounces of silver and a 20 per cent interest in the Hunt's Canadian oil properties, Mr Paul Volcker, the chairman of the Federal Reserve board, belped to hammer out a $1.1bn bail-out loan with a consortium of banks whicb would pay their other outstanding debts.

The Fed was immediately takeo to task by the magazine Business Week, which argued in an editorial beaded "Too rich to fail" that there was no excuse fnr treating the Hunts differently from other speculators who played a dangerous game for higb stakes, guessed wrong and lost.

In fact, the loan did not come cheap, says the Hunt's biographer. As collateral, Placid mortgaged nearly all its oil and gas properties in Louisiana and the Gulf of Mexico, and its gas leases in the North Sea.

In addition, Bunker and Herbert contributed collateral in the form of 63m ounces of silver bullion and coal properties worth about $480m. Bunker and Herbert also bad to make some costly internal family financial arrangements after their elder sister Margaret insisted that they put up some of their personal possessions to ensure that the Loyal Trusts did not lose by Placid's involvement in the silver play.

The lawsuit filed this week refers to the loan which let Bunker and Herbert off the hook in the following terms. "Seizing upon changes in the operation of commodities markets that left the Hunt brothers' business and family holdings in jeopardy in early 1980, several of the banks (including Bankers Trust, Manufacturers Hanover, Citibank, RepublicBank and InterFirst) and others, collaborated to obtain cootrol of Placid through various extensions of credit to Placid.

"In April and May 1980 thnse banks and others devised and imposed a complicated scheme for lending more than $1.1bn to Placid under terms which ultimately prevented Placid from maximising the value of its assets and granted the banks excessive control over Placid's finances and operations.

"On information and belief, the banks involved in the 1980 Placid transactions also designed and intended those transactions to benefit many of their substantial customers and affiliates, to whom the Hunts owed $900m nr more. These customers and affiliates included at least four national brokerage houses, two national banks and two fnreign banks."

By 1983 the original Placid loan bad beeo twice restructured, and credits to other Hunt companies including Penrod Drilling were in trouble. In February 1985 two of the debtor companies, Hunt International Resources Corporation (Hirco) and its subsidiary, Great Western Sugar, were forced into bankruptcy.

The lawsuit claims the banks wrongfully sougbt to treat loans to different companies as one credit, imposed unreasonable conditinns fnr restructuring the loans and deliberately sabotaged refinancing negotiations with other lenders.

As an example of the stranglebold the banks had on their companies' operations, the Hunts claim that in March and April 1985 the Minoesota-based First Natinnal Bank nff Saint Paul withheld its consent to a change of home port for the Penrod 58 drilling rig (whicb was necessary to enable the rig to carry out a cootract in foreign waters) until Penrod Drilling persuaded Hirco to pledge "totally unrelated mortgages" to a bank consortium which included several of Penrod's own creditors.

The plaintiffs have hired a Boston law firm to present their case, and attorney Mr Edwin E. McCabe says a jury will decide whether the banks controlled Placid and Penrod to the point where the lenders were responsible for the companies' prosperity.

European expansion for Bausch & Lomb

By Leslie Colitt in Berlin

BAUSCH & Lomb, the US opticals company, has bought Dr Gerbard Mann, a leading West German producer of npbthalmic pharmaceuticals, for $97m.

Mann, a family owned company based in West Berlin, bad sales last year of DM 60m ($7.65 m), and "very good" but undisclosed earnings. Ms Erika Schwalbe, manager, said the company had no problems, but the owners bad no beirs and were not interested in retaining it. Ms Schwalbe said the present management would be retained by Bauscb & Lomb and that the 40-year-old Berlin company would serve as a centre for the US group's activities in Europe. West Berlin nffers lucrative tax benefits and other financial lures to companies operating in the city and bas attracted considerable outside investment in recent years.

The Rochester, New Ynrk, group is the world's largest producer of contact lenses and sees Europe as providing its strongest growth prospects.

Robins offers settlement plan

A. H. ROBINS, the US pharmaceutical group, has nffered to set up a trust to belp settle claims against its Dalkon Shield intra-uterine device, according to the draft of a reorganisation plan being circulated to lawyers, Reuter reports from Richmond, Virginia.

Under the proposal, Robins would make an initial payment of $50m to the trust after approval and a second payment of $50m six months later. The balance of a still undetermined settlement would be paid over 10 years.

Business creditors would receive 85 per cent of the some $56m they were owed wben Robins filed under Chapter 11 of the US bankruptcy code last August.

INTL. COMPANIES & FINANCE

Bosch cautious on CGE-ITT deal

By Jonathan Carr in Stuttgart

MR MARCUS BIERICH, chairman of the managing board of Bosch, the West German electricals group, has reacted with marked caution to the proposed big telecommunications venture between CGE, the French state-owned group, and ITT of the US.

He said many points about the proposed venture would need close examination before Bosch could decide whether to join in.

Mr Bierich noted that the Federal Cartel Office would have to make a judgment on the implications of West German participation. Moreover, care had to be taken to see that jobs in Germany would not be lost as a result of joining in the deal.

He stressed that Bosch so far knew little in detail about the telecommunications plan, but added he was sure that his company would be asked to look into it.

CGE is known to be looking for a German partner (or partners) to join with it and companies from other countries in a European holding. This holding, in which CGE will have a stake of at least 50 per cent, will have a 70 per cent share of the proposed new telecommunications group. The other 30 per cent will be held by ITT.

Bertelsmann lifts turnover

By Our Financial Staff

BERTELSMANN, the West German media group, increased turnover in its first nine months to March 1986 by 2.4 per cent to DM 5.8bn ($2.67bn) compared with the comparable 1984-85 period.

Nine-month profit figures were not given, but the group said that for the whole year to June 1986 it expected to match the record earnings for 1984-85. It made a net profit of DM 336.9m in 1984-85.

Bertelsmann said more than half of the turnover in the current year came from foreign sales. But the high ratio of overseas business made currency fluctuations more significant and had dampened the turnover increase in recent months.

Suez group expects further strong growth this year

BY DAVID MARSH IN PARIS

COMPAGNIE Financiere de Suez, the state-owned French financial and industrial group, is facing up to the likelihood of privatisation with a mixture of hope and trepidation, according to Mr Jean Peyrelevade, the chairman, who forecast further strong growth this year.

Summing up the balance sheet of his three years at the helm, Mr Peyrelevade said the majority of Suez employees was "probably favourable towards privatisation — but with certain fears that the process could change the group's strategy."

The group last year registered a 46 per cent increase in total net profits to FFr 1.52bn ($218m), and Mr Peyrelevade said he hoped this year could see a further 20 to 30 per cent rise.

"I have tired to foster the concept of developing the group, of giving it a strategy which Suez did not have before," he said.

Mr Peyrelevade, a Socialist, is widely thought to face dismissal in the round of new nominations at nationalised enterprises to be announced by the Government.

Concerning the Government's privatisation plans Mr Peyrelevade said he feared that new shareholders might try to weaken links between the constituent parts of the group.

"Suez at the moment is not a real group. It is a federation of participations, very decentralised. My idea has been to turn it into a more co-ordinated structure, by developing the banking, industrial and insurance sectors together. One could fear that new shareholders could have different ideas, deciding either to specialise on one or the other of the axes, or to dissociate the different sectors—which could lead to the breaking up of the group."

Mr Peyrelevade was one of the executors of the Socialist Government's nationalisations in 1982, under which Suez and other large parts of the banking sector were brought under state control.

He came out in favour of "transparency" in the method chosen by the Government to sell state enterprises back to the private sector, adding that the only way to fix their value was to let the market decide.

Mr Peyrelevade also said he hoped Banque Indosuez, the group's merchant banking arm, would be able to play a role in privatising other state holdings.

Mr Antoine Jeancourt-Galignani, the Indosuez managing director, is a leading candidate for the post of Suez chairman should the Government decide to replace Mr Peyrelevade.

German sugar merger planned

BY RUPERT CORNWELL IN BONN

SUEDDEUTSCHE ZUCKER, West Germany's largest sugar producer, has set in motion a major reorganisation of the country's sugar industry by announcing plans to merge with its smaller rival, Zuckerfabrik Franken.

Terms of the deal, according to Suedzucker, will be set only after valuation of the respective worth of the two companies. Suedzucker, in whose capital of DM 86m ($39.6m) the Deutsche Bank holds "at least 25 per cent," has sales of DM 145bn, making it in turnover terms three times as large as Frankenzucker.

The deal has plainly been motivated by events elsewhere in the European sugar industry, and notably the plans of Ferruzzi of Italy, which already has effective control of Beghin-Say of France, to take over British Sugar of the UK.

According to company officials the link will enable the two partners to develop their operations "downstream," for example in the industrial use of by-products of sugar refining.

It is also designed to get around instructions, imposed by the powerful Federal Cartel Office in Berlin, for Suedzucker and Frankenzucker to wind up a joint sales company by the end of June 1986.

The two already have close financial links. Suedzucker holds a direct stake of 25 per cent in the DM 47m capital of Frankenzucker. The remaining 75 per cent is held by the farming co-operative, Sueddeutsche Zuckerruebenverwertungs-Genossenschaft, which in turn has a 25 per cent interest in Suedzucker.

The possibility that the Cartel Office might raise objections was being examined.

Another engineering disposal by Volvo

BY OUR FINANCIAL STAFF

VOLVO, the Swedish energy, motor and foods group, is to sell another engineering asset, taking the tally of disposals announced over the past two weeks up to around SKr 1.5bn ($212m).

Volvo is to sell Nils Dacke, which is part of Sonessons, a Volvo subsidiary, for SKr 494m. At the end of last month Volvo disclosed plans for the disposal of a number of engineering units for around SKr 1bn.

Together the disposals represent a significant development in the restructuring of Volvo's Swedish operations, following the group's recent acquisitions of Investment AB Cardo and Sonessons.

A consortium led by AB Industrivaerden, an investment company, is to acquire Dacke. Volvo is selling 57 per cent of Dacke's capital and 69 per cent of the voting rights, and will retain a minority interest. Within the consortium, Industrivaerden will take 48 per cent of the Dacke votes and 33 per cent of the equity.

Industrivaerden is controlled by interests close to Svenska Handelsbanken, one of Sweden's top three commercial banks, and Mr Anders Wall, the financier.

Mixed showing by Gold Fields producers

By Kenneth Marston, Mining Editor

A MIXED showing is made by net profits for the Jnne quarter of the seven South African gold producers in the Consolidated Gold Fields group. An improvement in tha rand-dollar exchange rate during the period has resulted in a lower average domestic gold price received in the period of R23,743 per kg, compared with R25,029 in the previous three months.

Average cost increases have been held down to jnst under 7 per cent while aggregate gold production has risen slightly. The fall in pre-tax profits has been mitigated at net level by a rise in the tax-offsetting capital expenditura which, in aggregate, has risen to a non-exceptional R135m from R87m in tha previous quarter. The total tax charge for the latest quarter has thus fallen to R185m from R258m.

GOLD MINE NET PROFITS

	June qtr R000	March qtr R000	Dec qtr R000
Deelkraal	18,217	24,058	27,492
Doornfontein	23,036	14,378	18,381
Driefontein	109,733	115,474	130,356
Kloof	77,951	68,309	74,380
Libanon	17,015	15,057	16,176
Venterspost	6,656	2,618	5,400
Vlakfontein	827	924	1,213

Venterspost has had a good quarter with pre-tax profits up on e combination of increased gold production in line with a better grade of ore milled plus only a slight redoction in the gold price received. Net profits were enhanced by a tax recoupment resulting from increased capital spaoding.

All the other minas have earned less at pre-tax level as e result of lower gold prices

Porgera mining agreement near

NEGOTIATIONS for a mining development agreement between the joint venture aiming to develop Papua New Guinea's Porgera gold deposit and the Government are imminent, according to Mr Paias Wingti, the PNG Prime Minister, Reuter reports from Port Moresby.

Advanced exploration has been carried out at Porgera by the equal joint venture partners—Placer Pacific, Mount Isa Mines and Renison Goldfields Consolidated.

Morgan's securities plans upset Japanese banks

BY YOKO SHIBATA IN TOKYO

MORGAN GUARANTY'S application to the Ministry of Finance for e Tokyo brokerage licence through its London-based subsidiary has aroused a hornet's nest of reaction from Japanese banks.

Morgan's Tokyo office declines to comment, but it is understood that the bank plans to open a branch in Tokyo of the wholly-owned securities subsidiary which it has formed in Britain.

The Morgan strategy is different from the plans of other American major banks to establish securities branches in Japan by purchasing British brokerage houses, several of which have already been permitted by the Ministry of Finance.

The Japanese banks fear that the Morgan plan, if approved, might open the way for other foreign banks to open Japanese branches of tbelr London-based securities subsidiaries.

Article 65 of the Securities and Exchange Law (the Japanese version of the US Glass-Steagall Act) strictly limits tha business such branches could do. However, Citicorp of the US found a way to get round the Article 65 in February 1984 when it took over Vickers da Costa, the UK broker which already owned e Japanesa securities licence.

Deutsche Bank devised a new way into the Tokyo Securities business at the end of last year, when it obtained a branch licence for a Hong Kong subsidiary in which it had sold a half share to other non-bank investors. The Deutsche Bank formule has been followed by other European banks including County Bank, Societe Generale, Union Bank of Switzerland and Dresdner Bank.

Several US banks, which have been in the same position as Japanese banks since they are restricted by the Glass-Steagall Act, have acquired Japanese securities branch licences by acquiring British brokers. Security Pacific obtained a brokerage licence through Hoare Govett.

Chase Manhattan is preparing to build a Tokyo securities business through Laurie, Milbank, a British broker purchased by the US bank, which already has a representative office in Tokyo.

Among Japanese banks, the Industrial Bank of Japan, and other long-term credit banks have pressed the MoF to remove the rules.

Taiwan bank employees held after suspect loans

BY ROBERT KING IN TAI PEI

TAIWAN POLICE have arrested seven amployees including three senior executives of the First Commarcial Bank in Tai Pei, coocerning NT$350m (US$92m) in suspect loans made to two Singapore companies which have since gone bankrupt.

The prosecutor has qnestioned employees handling approval of several loans to the Hai Li and the Hai Kwang fishing companies in Singapore. Both companies are owned by e Taiwan native. They were capitalised at only S$100,000 (US$454,500) and were apparently deeply in debt at the tima the loans were granted.

Investigators are presently trying to determine if assets and credit standings of tha two companies were inflated, and if financial statements and supporting documentatioo offered by the firms were tampered with to secura the approval.

Prosecutors bere have been especially tough-minded about possible banking irregularities since a scandal last year, involving e financial institutioo and several of Taiwan's top companies, severely rocked investor confidence.

Pre-tax slip at Daikin

BY OUR TOKYO STAFF

DAIKIN INDUSTRIES, the large Japanese air conditioner maker, saw its pre-tax profits for the first half-year to May drop 9.9 per cent to Y4.82bn ($30m). Daikin said that despite a 3.3 per cent gain in turnover to Y104.72bn, the combined affect of exchange losses and falling export prices put a drag on its earnings.

Net profits, however, rose 5.8 per cent to Y2.63bn and the company will maintain its interim dividend at Y3 a share.

Air conditioner exports fell sharply due to the strong valne of the yen, but the drop was more than offset by higher domestic sales. Chemicals and hydraulic equipment were sluggish.

The negative impact from the yen's opsurge will be more or less offset by lower fuel and material costs in the current half-year. Full-year pre-tax profits are projected et Y11bn, down 4.6 per cent and net profits at Y1.5bn, up 1.5 per cent, on sales of Y217bn, up 1.6 per cent from a year earlier.

Leo share deal criticised by Commission

By Our Stockholm Correspondent

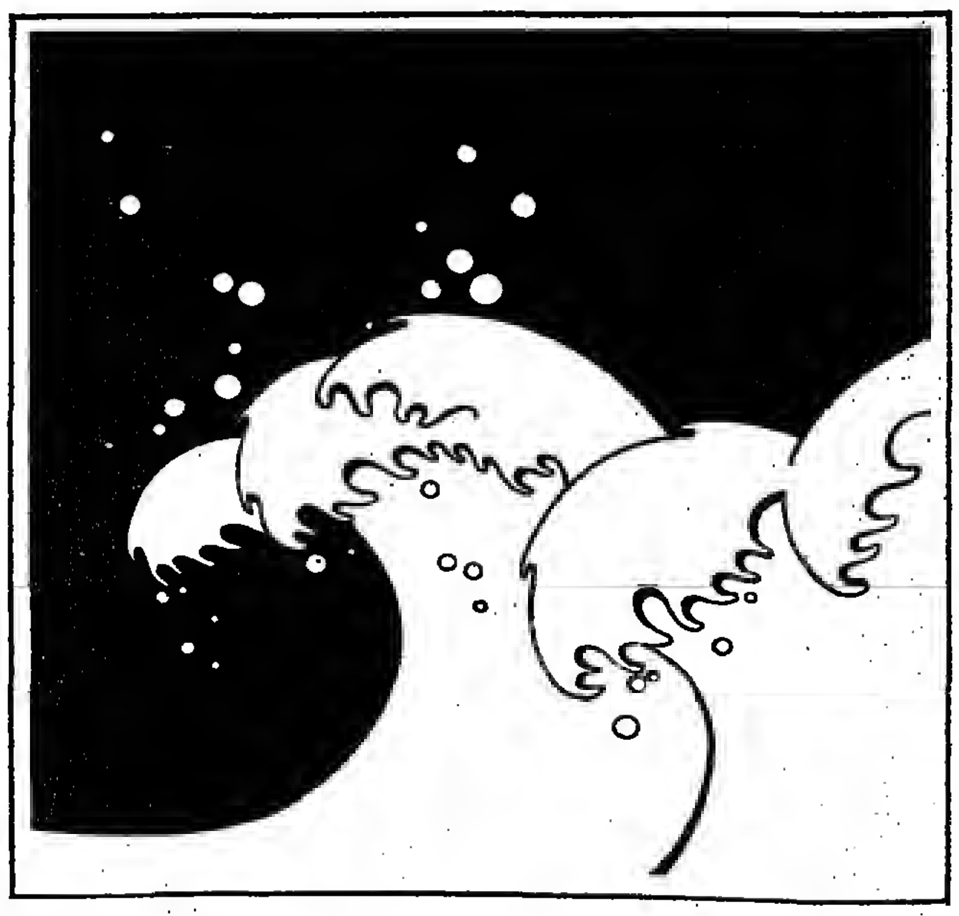
A SPECIAL Government Commission yesterday criticised the management of Sonesson, the Swedish light engineering and pharmaceutical group, for insider share trading involving a former pharmaceutical subsidiary, Leo.

The Commission was appointed last December to investigate the deal, which involved selling Leo shares in 1983 to Sonesson board members and others, including Mr Pehr Gyllenhammar, Volvo's chairman, and Mr Hakan Frisinger, Volvo's president, prior to Leo's stock market introduction in 1984.

The Commission levelled three principal criticisms against the deal. It said it was wrong that Leo shareholders were not informed of the condition surrounding the 1983 offering, that the volume of shares offered (more than 3m) in 1983 was too large, and that the select group of 30 who were offered the shares had not direct connections in the management of Leo.

The Commission recommended that all future issues of shares in a company to its own management should first be approved by 90 per cent of votes et a general meeting.

JF PACIFIC WARRANT COMPANY S.A.



ROBERT FLEMING & CO. LIMITED
THE NIKKO SECURITIES CO., (EUROPE) LTD.

Introduction

JF Pacific Warrant Company S.A. (the "Company") is a new closed-end investment company, incorporated in Luxembourg, with its share capital denominated in dollars. Its objective is to provide investors with a return (in dollar terms) of substantially the whole of their original subscription after nine years through redemption of the Preference Shares, as well as the potential for substantial capital appreciation through the Ordinary Shares. The Oirectors believe that this policy provides an attractive combination of capital appreciation potential and capital security for a continuing holder of both classes of shares.

The Ordinary Shares are not redeemable, although the Company has power to purchase its own Shares and it is the Directore' intention to use this power in circumstances where the Ordinary Shares trade at a significant discount to their net asset value. The Company's Articles of Incorporation provide that the Preference Shares will be redeemed at a price of $98 per share (i.e. 98 per cent. of the initial issue price of units) on 30th June, 1995.

The Company will be managed by companies in the Jardine Fleming group ("Jardine Fleming"). Jardine Fleming is one of the largest and most experienced fund management organisations in the Far East, with approximately £1,800 million under management or advice, a major proportion of which is invested in Japan. Jardine Fleming's Tokyo office employs over 100 people. It has been investing in Japan since 1970 and in warrants in Japan since they first became available in 1982.

The net proceeds of the issue are estimated to amount to approximately $48,440,000. It is expected that the majority of the Company's assets will be invested in equity instruments involving an above-average degree of risk as well as the prospect of above-average growth: it is likely that the value of this part of the Company's assets will be volatile. The remainder of the Company's assets will be invested principally in zero-coupon and deep-discount debt securities of major corporate or governmental issuers.

It is expected that a significant proportion of the Company's equity portfolio will consist of warrants issued by Japanese companies. The Tokyo Stock Exchange is more than twice the size of The Stock Exchange in London in terms of market capitalisation. Since warrants were first issued by Japanese companies in 1982, the market has grown to a value in excess of $5,000 million. Investment in the Japanese warrant market requires close knowledge both of the equity and warrant markets; Jardine Fleming is a substantial manager of funds in the equity market in Japan and has been an active participant in the warrant market since its inception.

The Company has been advised that neither the Ordinary Shares nor the Preference Shares will constitute "material interests" in the Company for the purposes of the offshore fund legislation contained in the Finance Act 1984. Accordingly, under current law and practice, no part of the proceeds of sale, redemption or other disposal of Ordinary Shares or Preference Shares by a shareholder other than a dealer should constitute income for United Kingdom tax purposes. Capital gains tax or corporation tax on chargeable gains may, however, be payable, as further described under "Taxation" below.

Although they are being issued as units, the Ordinary Shares and the Preference Shares are separately transferable and will be separately listed on the Luxembourg Stock Exchange and The Stock Exchange in London. Akroyd & Smithers Plc and Wedd Ourlacher Mordaunt & Co., jobbers on The Stock Exchange in London, have indicated to the Oirectors that they will make a market in the shares of the Company by quoting a two-way price in both Ordinary Shares and Preference Shares.

The units being offered are designed to combine the potential for enhanced growth with capital security. Subscribers should, however, note that if they realise their holdings of Preference Shares, their remaining investment in Ordinary Shares alone will constitute a high-risk investment as it will be effectively represented to a large extent by underlying holdings of warrants. Similarly, any holder solely of Preference Shares will not be entitled to participate beyond their issue price in any capital appreciation of the Company's underlying investments.

Directors and Administration

Directors:

Alan Howard Smith *(Chairman)* (British),
46th Floor, Connaught Centre, Hong Kong

Adam Richard Fleming (British),
25 Copthall Avenue, London EC2R 7DR

Yasuo Kanzaki (Japanese),
3-1 Marunouchi 3-chome, Tokyo, Japan

Jacques Kauffman (Luxembourgeois),
2 Boulevard Royal, Luxembourg

Claude Meiers (Luxembourgeois),
2 Boulevard Royal, Luxembourg

Nicholas Theobald Sibley (British),
Ebbgate House, 2 Swan Lane, London EC4R 3TS

Robert Heriot Lindsay Thomas (British),
46th Floor, Connaught Centre, Hong Kong

Secretary and Registered Office:
Jean-Michel Gelhay,
2 Boulevard Royal,
Luxembourg

Manager of the Company:
Jardine Fleming
Management (Bermuda)
Limited,
Thirty Cedar Avenue,
Hamilton 5-24,
Bermuda

Investment Manager:
Jardine Fleming Investment
Management Inc.,
Bank of America Building,
50th Street,
Panama

Investment Advisers:
Jardine Fleming Investment
Management Limited,
46th Floor,
Connaught Centre,
Hong Kong

Robert Fleming Investment
Management Limited,
25 Copthall Avenue,
London EC2R 7DR

Issuing House:
Robert Fleming & Co.
Limited,
25 Copthall Avenue,
London EC2R 7DR

Stockbrokers:
Alexanders Laing &
Cruickshank, Piercy House,
7 Copthall Avenue,
London EC2R 7BE

de Zoete & Bevan,
25 Finsbury Circus,
London EC2M 7EE

Legal Advisers to the Company in Luxembourg:
Elvinger & Hoss,
15 Côte d'Eich, Luxembourg

Legal Advisers to the Issue in England:
Slaughter and May,
35 Basinghall Street,
London EC2V 5DB

Statutory Auditors, Independent Auditor and Reporting Accountants:
Ernst & Whinney,
Reviseurs d'Entreprises,
25B Boulevard Royal,
Luxembourg

Custodian, Domiciliary Agent, Registrar, Transfer Agent and Paying Agent:
Banque Internationale à
Luxembourg S.A.,
2 Boulevard Royal,
Luxembourg

Bankers, Receiving Bank, London Transfer Agent and Paying Agent:
Barclays Bank PLC,
25 Farringdon Street,
London EC4A 4HD

A copy of this document, which comprises listing particulars with regard to JF Pacific Warrant Company S.A. (the "Company") in accordance with The Stock Exchange (Listing) Regulations 1984, has been delivered to the Registrar of Companies in England and Wales for registration in accordance with those regulations.

Applications have been made for the Ordinary Shares of $2 each ("the Ordinary Shares") and the non-voting redeemable Preference Shares of $2 each ("the Preference Shares") in the capital of the Company to be admitted to official quotation on the Luxembourg Stock Exchange. Applications have also been made to the Council of The Stock Exchange in London for the Ordinary Shares and the Preference Shares in issue and now being issued to be admitted to the Official List.

The subscription lists for the Ordinary Shares and the Preference Shares (together "Shares") now being offered for subscription will open at 10 a.m. (London time) on Thursday, 17th July, 1986 and may be closed at any time thereafter. Applications should be sent so as to be received not later than 10 a.m. (London time) on that day. The procedure for application and an application form are set out at the end of this prospectus.

The Directors are aware of intended applications from sub-underwriters for approximately 75 per cent. of the Issue, which will be accepted in full.

The directors of the Company (the "Directors"), whose names appear below, are the persons responsible for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors accept responsibility accordingly.

No action has been or will be taken to permit a public offering of Shares or the distribution of this document in any jurisdiction other than Great Britain and Luxembourg. The distribution of this document and/or the offering of Shares may be restricted in certain jurisdictions; persons into whose possession this document comes are required by the Company to inform themselves of and to observe any such restrictions. In particular this document may not be used for the purpose of an offer or solicitation in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

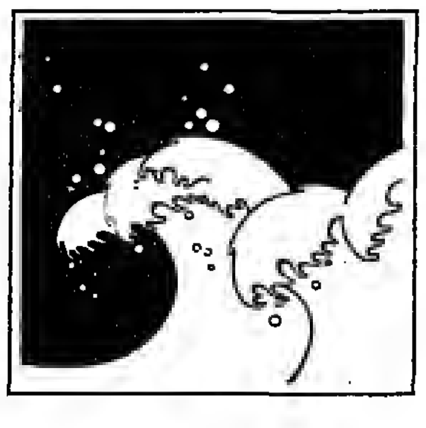
The Shares have not been registered under the United States Securities Act of 1933. Accordingly, they may not at any time, directly or indirectly, be offered, sold or delivered in the United States (which expression means the United States of America, its territories, possessions and any areas subject to its jurisdiction), or to or for the benefit of any United States person. For this purpose, "United States person" includes any person who is a national or citizen or resident of or normally resident in the United States, including the estate of any such person, or to any corporation, partnership or other entity created or organised in or under the laws of the United States or any political subdivision thereof. In order to give effect to these restrictions, every applicant for Shares will be required to make the declaration in the form contained in the application form. In addition, the Articles of Incorporation of the Company contain restrictions on the sale or transfer of shares to persons not acceptable to the Company by reason of their nationality, residence or domicile and provisions for the compulsory transfer of shares beneficially owned by such persons.

The Shares have not been registered under the Securities and Exchange Law of Japan nor have they been qualified under the standards of selection of foreign mutual funds established by the Securities Dealers' Association of Japan. The Shares may not be offered, sold or delivered directly or indirectly in Japan or to any resident of Japan except pursuant to an exemption available under the Securities and Exchange Law of Japan.

Any information given or representation made by any dealer, salesman or other person and not contained herein should be regarded as unauthorised and should accordingly not be relied upon. Neither the delivery of this document nor the offer, issue or sale of Shares shall, under any circumstances, constitute a representation or create any implication that the information given in this document is correct as of any time subsequent to the date hereof.

Potential subscribers should inform themselves as to (a) the possible tax consequences, (b) the legal requirements and (c) any foreign exchange restrictions or exchange control requirements which they might encounter under the laws of the countries of their citizenship, residence or domicile and which might be relevant to the subscription, holding and disposal of Shares.

In this document all references to "pounds", "pence", "£" and "p" are to United Kingdom currency, all references to "dollars" and "$" are to the currency of the United States of America, all references to "Luxembourg Francs" and "LFR" are to Luxembourg currency and all references to "Yen" and "¥" are to the currency of Japan.



JF PACIFIC WARRANT COMPANY S.A.

(incorporated in and under the laws of the Grand Duchy of Luxembourg with limited liability)

Issue of

500,000 units at a price per unit of U.S. $100 or, for subscriptions under £20,000, at the option of the applicant, £65.80, payable in full on application.

Each unit will consist of one Preference Share (redeemable at U.S.$98 on 30th June, 1995) and one Ordinary Share.

ROBERT FLEMING & CO. LIMITED

THE NIKKO SECURITIES CO., (EUROPE) LTD.

Brokers to the Issue

ALEXANDERS LAING & CRUICKSHANK

DE ZOETE & BEVAN

The Company

The Company is incorporated with limited liability in Luxembourg as a *société anonyme* under the law of 10th August, 1915, as amended, of the Grand Ouchy of Luxembourg and qualifies as a collective investment undertaking under the law of 25th August, 1963. The Company is a closed-end investment company in that it is not the policy of the Company to offer its shares on a continuous basis and the Articles of Incorporation do not confer upon shareholders the right to hava their Ordinary Shares redeemed or purchased by the Company or a subsidiary. The Company has, however, the power to purchase its Shares. The Company was incorporated on 5th July, 1986 for a period of thirty years subject to earlier liquidation or to extension by due resolution of the Company's shareholders.

The objective of the Company is to combine the seeking of capital growth, principally by investment in an actively-managed portfolio of equity warrants issued by companies in Japan, with security of capital, with the return of virtually the entire initial investment (in dollar terms) to the investor after nine years.

The Company is managed by Jardine Fleming Management (Bermuda) Limited (the "Manager"), which has delegated the management of the Company's investment portfolio to Jardine Fleming Investment Management Inc. (the "Investment Manager"). The Investment Manager will in turn receive investment advice from Jardine Fleming Investment Management Limited and Robert Fleming Investment Management Limited (the "Investment Advisers").

This prospectus is published in connection with the issue (the "Issue") of 500,000 Ordinary Shares and 500,000 Preference Shares at issue prices of $2 per Ordinary Share and $98 per Preference Share. The Shares are being issued in units ("Units") of one Ordinary Share and one Preference Share at an issue price of $100 per Unit, payable in full on application. The Preference Shares are redeemable on 30th June, 1995 at their issue price of $98 per Preference Share.

The Ordinary Shares are not redeemable. The Company has power under the Articles of Incorporation to purchase its Shares. However, it is the intention of the Oirectors to exercise the power to purchase Ordinary Shares only in circumstances where the Ordinary Shares are trading at a significant discount to their net asset value. In any event, the Company's power to purchase Ordinary Shares will not be exercised if (either immediately before or immediately after such purchase) the value of the Company's net assets would be less than 150 per cent. of the Treasury Bill Equivalent. "Treasury Bill Equivalent", where used in this document, means the amount required to purchase treasury bills issued by the United States Government which would at 30th June, 1995 provide sufficient funds to redeem the Preference Shares. It is not the Oirectors' intention to exercise the power to purchase Preference Shares unless their market price falls materially below the Treasury Bill Equivalent, except where they are purchased in connection with a purchase of Ordinary Shares; in any event, no Preference Shares will be purchased by the Company after 30th June, 1993. Any purchases of Shares by the Company will be made on The Stock Exchange in London or the Luxembourg Stock Exchange. Shares beneficially owned by Jardine Fleming, Robert Fleming Investment Management Limited or any of their associated companies will not be purchased by the Company.

Particulars of the rights attaching to the Shares are set out in Appendix I.

Jardine Fleming

Jardine Fleming dates from 1970, when a joint venture was established in Hong Kong by Jardine, Matheson and Co., Limited, one of the oldest and best-known Hong Kong trading companies, and Robert Fleming Holdings Limited. Robert Fleming Holdings Limited is involved in merchant banking activities with a strong emphasis on fund management and its subsidiary, Robert Fleming & Co. Limited, is a member of the Accepting Houses Committee. Robert Fleming Holdings Limited and its subsidiaries ("Robert Fleming") have approximately £15,000 million under management, including the unit trust business of Save & Prosper Group Limited (which is a member of the group) but excluding funds managed or advised by Jardine Fleming.

Jardine Fleming has offices in the major financial centres of the Far East and employs approximately 420 people. While a comprehensive range of merchant banking services is offered, Jardina Fleming has always specialised in the provision of investment management and advisory services covering the principal stock markets of the region. With approximately £1,800 million under management or advice Jardine Fleming ranks among the largest and most experienced fund managers in the Far East. In addition to a broad range of unit trusts, Jardine Fleming manages discretionary portfolios on behalf of financial institutions, pension funds and individuals.

As by far the most important stock market in the Far East, Japan has been given considerable emphasis by Jardine Fleming. A branch office was established in Tokyo in 1971 and in 1981 licensed securities dealer status was achieved. Jardine Fleming (Securities) Limited is one of only six foreign broking companies admitted to full membership of the Tokyo Stock Exchange. On the fund management side, Jardine Fleming has entered into an agreement with The Yasuda Trust and Banking Company Limited to form a Japanese fund management company called Jardine Fleming Investment Advisers (Japan) Limited, the first such joint venture to be established. These developments have led to a significant expansion of the Tokyo office, which now has over 100 employees.

This major presence in the Asia-Pacific region complements Robert Fleming's activities in the Euro-convertible and warrant markets. Robert Fleming has played a significant role in the development of these markets and is now an active new issue manager and e leading market maker in Japanese warrants both in Europe and the Far East.

Jardine Fleming has been an active participant in the Japanese warrant market since its inception. Its funds under management invested in warrants have grown from some ¥600 million at the end of 1982 to some ¥43,700 million at present. As the market has grown, the exposure of funds managed by Jardine Fleming has been increased: JF Special Holdings Limited and JF Pacific Securities Trust, the two funds with the greatest investment in the warrant market in 1985 and 1986, increased their net asset values per unit or share by 147.1 per cent. and 145.1 per cent., respectively, between 1st January, 1985 and 31st May, 1986.

Jardine Fleming or Robert Fleming companies may deal as principals with the Company (acting through the Investment Manager) particularly in relation to warrants, and will be entitled to retain any profits made. Any such dealings will be on an arm's length basis and will be in accordance with the internal guidelines adopted by Robert Fleming and Jardine Fleming with a view to ensuring that the Company deala on best terms.

Investment Objective and Policy

The Company will seek to obtain a better rate of return than that obtainable by investment in a portfolio of Japanese shares. The Oirectors intend to pursue this objective by investing a substantial part of the Company's assets (initially up to 55 per cent.) in equity warrants issued by Japanese companies. From time to time, as tha relevant markets develop, investments may also be made in warrants or similar instruments issued by companies in other parts of the Pacific Basin, i.e. Hong Kong, Korea, Taiwan, South East Asian markets, Australia and New Zealand.

JF PACIFIC WARRANT COMPANY S.A.

An equity warrant generally allows an investor the right to subscribe a fixed sum of money for ordinary shares at a pre-determined price for a fixed period of time. Since the cost of the right is normally substantially less than the cost of the share itself, if the share price goes up the value of the warrant will increase at a greater rate. If, on the other hand, the share price goes down then the right of subscription may become valueless. The use of warrants will therefore usually mean that the net asset value attributable to the Ordinary Shares will increase or decrease at a greater rate than would be the case if the equivalent investment in shares had been made.

Although it is expected that the major proportion of the Company's equity portfolio will consist of warrants, investments may also be made in equity shares of companies in Japan and other parts of the Pacific Basin. Purchases of shares may be made either to reduce the average gearing ratio of the portfolio, where market conditions make this desirable, or because the company selected for investment has not issued warrants.

In addition to its equity investments, the Company will invest in e portfolio of debt securities. It is intended that these investments will consist principally of zero-coupon and deep-discount bonds denominated in dollars, although conventional interest-bearing bonds, convertible bonds and debt securities denominated in other currencies may be held from time to time.

When in its judgement thie is in the best interests of shareholders, the Investment Manager will be free to reduce the Company's exposure to the equity market by holding cash or money market instruments or by increasing the proportion of the Company's assets in the debt securities portfolio.

The Company's overall policy is to provide investors with a return (in dollar terms) of substantially the whole of their original subscription after nine years through redemption of the Preference Shares, as well as the potential for substantial capital appreciation through the Ordinary Sheres. The Directors believe that this policy provides an attractive combination of capital eppreciation potential and capital security for a continuing holder of both classes of Shares.

The Directors have adopted restrictions and policies (details of which are set out in paragraph 18 of Appendix II below) relating to the investment of the Company's assets and the activities in which the Company will be involved. With limited exceptions the principal restrictions prevent the Company from investing more than ten per cent. of the Company's net assets in any one company, from acquiring more than ten per cent. of any issued class of security, from investing more than five per cent. of the company's net assets in securities which are not regularily traded, from making investments in commodities or real estate and from dealing in options to purchase or sell securities. None of the restrictions adopted will prevent the Company from establishing subsidiaries if this is in the interests of shareholders. The Directors intend to pursue an investment policy whereby the aggregate value of the Company's holdings of cash, money-market instruments and debt securities will at all times be more than the aggregate of the Treasury Bill Equivalent and the amount of the Company's debts and its liabilities (which do not include Preference Shares).

The Articles of Incorporation contain no limitation on borrowings by the Company and confer the power to borrow on the Directors. It is the policy of the Directors that the Company shall not borrow amounts in excess of 25 per cent. of the Company's total net assets. The present intention of the Directors is that no borrowings will be made except on a temporary basis to cover cash shortfalls, since the warrant element in the Company's portfolio will provide a sufficient gearing effect.

As with all investment companies, the value of the Company's net assets will vary with fluctuations in the value of the underlying investments. The value of the assets invested in warrants will normally fluctuate more sharply than a similar investment in the underlying equities. To keep investors informed of these changes on a regular basis, the Company has arranged to announce the net asset value per Ordinary Share (calculated on the basis described in paragraph 2 of Appendix II below) each week to The Stock Exchange, London and the Luxembourg Stock Exchange.

Whilst the Directors believe that the Units being offered both provide security of capital and offer the potential for enhanced capital appreciation, no assurance can be given that these objectives will be achieved. Subscribers should also note that if they realise their holding of Preference Shares, their remaining investment in Ordinary Shares alone will constitute a high-risk investment as it will be effectively represented to a large extent by underlying holdings of warrants. Similarly, any holder solely of Preference Shares will not be entitled to participate beyond their issue price in any capital appreciation of the Company's underlying investments.

Investment in Japan

With a gross national product totalling ¥318,000,000 million (approximately £1,272,000 million) in 1985, Japan ranks as the second largest economy in the capitalist world. A high level of investment and vigorous development of both internal and external markets were the primary factors responsible for the increase of Japanese economic output from just over 4 per cent. of U.S. output in 1951 to approximately 32 per cent. of U.S. output in 1984. The Japanese economy maintained an annual average growth rate in gross national product after adjusting for inflation ("real GNP") of 3.6 per cent. throughout the difficult decade from 1974 to 1983. By comparison, real GNP expanded over the same period by an annual average of 2.1 per cent. in the U.S. and only 0.9 per cent. in the U.K. Real GNP in Japan expanded by 5.1 per cent. in 1984 and 4.6 per cent. in 1985.

As a direct result of the success of Japan's economic policies in the 1970's and early 1980's, the economy is about to enter e period of considerable change which will, in the opinion of the Directors, provide many interesting new investment opportunities. The rise in the price of oil during the 1970's forced Japan to promote exports at the expense of the domestic sector of the economy, to such effect that in 1985 Japan had e balance of trade surplus of over US$55,000 million. The resulting dominance of many markets, especially in the United States, led to calls for protection for local industries. The force of this movement was finally recognised in the last quarter of 1985, when the yen appreciated against the dollar from ¥240 to ¥200. Slightly earlier, the Japanese government had taken the first steps towards reversing the tight fiscal policy which had been e key part of Japan's economic policy since the early 1980's. These measures initially took the form of e commitment to undertake a number of major infrastructure projects, such as the Tokyo Bay link, the new Kansai Airport and e new expressway round Tokyo, but have since broadened into e more general policy of domestic demand stimulation. The Ministry of Finance's longstanding opposition to any moves which would inflate the budget deficit has thus far prevented direct measures such as tax reform being anything more than a point for discussion. However, the private sector is expected to play its part through the deregulation of key industries such as railways, telecommunications, electric power utilities, property development and financial services. The strength of the yen end the scale of the protectionist problem prevent Japan from continuing to expand through exports and have forced the country's economic policymakers to look at ways of maintaining growth through a policy of domestic demand stimulation. The Directors believe that this change in policy is only just beginning and that its impact will be in many ways as profound as that of the oil price rises in 1973 and 1979.

Over the ten years to 31st December, 1985 the compound annual total return (in yen terms) from investment in the Tokyo Stock Exchange First Section Index was 14.4 per cent. The Tokyo stockmarket is currently the second largest market in the world, behind New York, and is more than twice the size of the London Stock Exchange, its closest rival, in terms of market capitalisation. It is divided into two tiers comprising the First and Second Sections, the former being much the larger with approximately 1,100 companies listed and a market valuation of ¥223,000,000 million (approximately £886,000 million).

The Tokyo stockmarket, as measured by the Tokyo Stock Exchange First Section Index, rose by 24.1 per cent. (in yen terms) between 1st January, 1986 and 31st May, 1986, a performance which has surprised many foreign investors who have paid more ettention to the slowdown in economic growth and the fall in company profits and less to the very substantial build-up of liquidity in the economy, as typified by the capital outflows last year of over US$65,000 million, and the fall in interest rates. With corporate liquidity still at high levels and the trust banks, life insurance companies and investment trusts enjoying a high inflow of funds, due to a combination of contractual and voluntary savings, there is little prospect of an end to the high liquidity for some time to come. As more of these funds are finding their way into the stockmarket, seeking higher rates of return, so there is considerable support for the market at present levels. Looking further ahead, company profits are expected to recover strongly in 1987 as the changes initiated by the strength of the yen and the more liberal government policy make themselves felt in the corporate sector.

Japan adjusted with remarkable speed to the problems created by the rise in the oil price. The Directors are confident that it can and will respond successfully to the challenges created by its own success, and that as a result the Japanese stockmarket will continue to offer many interesting investment opportunities.

Warrants in Pacific Basin Markets

Since the first issue of separately traded equity warrants by a Japanese company in January 1982 this market has rapidly expanded. By April 1986 there were over 250 issues outstanding, principally of companies in the First Section of the Tokyo Stock Exchange, with an estimated market value in excess of $5,000 million.

The majority of these detachable equity warrants were initially issued with Eurodollar bonds of Japanese companies. Equity warrants have also been issued in large numbers with Swiss Franc and Deutschemark bonds. After the primary issue the Eurobond and the warrant are traded separately, often in different markets.

Since December 1985 there have been six issues of equity warrants by Japanese companies on the Tokyo domestic market. Trading in the secondary market has been slow as local investors are still unused to this new instrument. With effect from 1st June, 1986, however, Japanese investment trusts have been given authorisation to buy warrants and the market is expected to become more liquid.

The only other major warrant market in the Pacific Basin is that of Hong Kong. This is an established market with eighteen issues outstanding with a market value of 1,600 million Hong Kong dollars. There is a good level of activity and liquidity.

The cost of a warrant to subscribe for a share is normally substantially less than the cost of the share itself, so that the price of the warrant can be expected to change more rapidly than the price of the share itself. This multiplier is normally described as the gearing factor; the higher the gearing factor, the greater the premium over the exercise value normally commanded.

The example below illustrates how the premium and gearing factors of warrants are calculated in the secondary market:—

(a) FIXED EXERCISE PRICE	(b) ORDINARY SHARE PRICE	(c) WARRANT MARKET PRICE PER SHARE	(d) EFFECTIVE SUBSCRIPTION PRICE PER SHARE	(e) PREMIUM	(f) GEARING
			(a)+(c)	$\frac{(d)-(b)}{(b)}$	$\frac{(b)}{(c)}$
$	$	$	$		
95	120	40	135	12½%	3x

It is estimated that at the end of April 1986 the average gearing and premium for the major currency sectors of the Japanese warrant market were as follows:

DENOMINATION	PREMIUM	GEARING
Dollar	32%	3.3x
Deutschemark	19%	3.6x
Swiss Franc	17%	3.7x

It is the policy of the Directors that the Company will not purchase warrants at a price which represents a premium of more than 50 per cent. Under the present market conditions, Jardine Fleming Investment Management Limited believes that the Company need not invest in warrants with premiums above 35 per cent. or gearing factors of less than 1½ times. It is the policy of the Directors that the weighted average level of the gearing factor of the equity proportion of the portfolio will not exceed three times.

Warrants do not, of course, provide any income to the holder. However, having regard to the fact that yields of Japanese shares are normally very low and to the Company's investment objectives, the Directors do not consider this factor to be significant.

The selection of warrants is a specialist activity demanding a close knowledge both of the Japanese equity and warrant markets. Knowledge and research in the underlying Japanese equity is important in valuing the warrants. Differing rights attached to warrants also present difficulties to an operator in this market. Jardine Fleming is a substantial manager of funds in the equity market in Japan and has been active in the warrant market since its inception.

Dividend Policy

The major proportion of the investments of the Company will yield little, if any, income. It is not expected that, after meeting fees and revenue expenses and making any necessary transfers to legal reserve, the Company's net income will be sufficient to pay dividends. For this reason and for legal reasons in Luxembourg, it is not intended that any dividend will be paid before 30th June, 1995 (being the due date for redemption of the Preference Shares). However, if and to the extent that net income is available, it is the intention of the Directors that substantially the whole of such surplus after 30th June, 1995 should be distributed by way of dividend, subject to net profits being available under Luxembourg law.

Dividends may only be paid to the extent that they are covered by net income received from underlying investments, shares of profits of any associated companies being unavailable for this purpose unless and until distributed to the Company. The Articles of Incorporation prohibit the distribution as dividend of surpluses arising from the realisation of investments.

For legal reasons in Luxembourg, the Preference Shares have an entitlement to e preferential dividend of one per cent. per annum of their par value (i.e. 2 cents per share) payable after 30th June, 1995 (in the event that the Preference Shares are not for any reason redeemed on that date) in priority to any payment of dividend on the Ordinary Shares. No further dividends may be paid on the Preference Shares and it is intended that any surplus net income should be distributed after 30th June, 1995 by way of dividend on the Ordinary Shares.

Under current Luxembourg law, the Company is required to transfer 5 per cent. of its annual net profit to e legal reserve, until such reserve equals 10 per cent. of the amount of the Company's issued share capital.

Directors, Investment Management and Advice

The Directors of the Company will be responsible for the overall investment policy of the Company. They are described below:-

Mr. Alan Smith, aged 42, joined Jardine Fleming in 1972, becoming head of the Corporate Finance Department in 1979 and then Managing Director of Jardine Fleming in 1983. A former Chairman of the Hong Kong Deposit-taking Companies Association and member of the Committee on Takeovers and Mergers, he remains an honorary lecturer in law at Hong Kong University.

Mr. Adam Fleming, aged 37, joined Robert Fleming in 1972 as an investment analyst, and having served as an investment manager in Jardine Fleming, was appointed Managing Director of Jardine Fleming's Singapore operations in 1978. He was appointed a Director of Robert Fleming Securities Limited in 1980, and of Robert Fleming Holdings Limited in 1985. He is also a Director of Robert Fleming Investment Management Limited.

Mr. Yasuo Kanzaki, aged 54, is Senior Managing Director of The Nikko Securities Co., Ltd. He joined The Nikko Securities Co., Ltd. in 1955 and was appointed Deputy General Manager of International Finance Division in 1971. In 1973 he moved to New York as Deputy General Manager of The Nikko Securities Co. International, Inc. and a year later he moved to London as Managing Director of The Nikko Securities Co., (Europe) Ltd. He returned to Tokyo in 1979.

Mr. Jacques Kauffman, aged 47, is a senior manager in charge of the Investment Company Department, the Credit Department and the Legal and Fiscal Department of Banque Internationale à Luxembourg S.A.

Mr. Claude Meiers, aged 48, is an assistant manager in charge of the Portfolio Management Department of Banque Internationale à Luxembourg S.A.

Mr. Nicholas Sibley, aged 48, is a Director of de Zoete & Bevan and a Director-designate of Barclays de Zoete Wedd Securities Limited, with special responsibility for international equities. He was previously a Director of Robert Fleming Holdings Limited, having joined Robert Fleming in 1970 and having served as Managing Director of Jardine Fleming in Hong Kong from 1979 until 1983.

Mr. Robert Thomas, aged 45, is a Director of Jardine Fleming Holdings Limited. He has been involved in investment management with Jardine Fleming in Hong Kong and Tokyo for twelve years and with Robert Fleming in London for seven years before that. Since 1978 he has been the senior director of Jardine Fleming's investment management company.

The Manager has been appointed under a Management Agreement dated 7th July, 1986 as manager of the Company with responsibility for the selection of investments and the day-to-day management of the Company. The Management Agreement between the Company and the Manager will continue in force for e period of three years from its date and thereafter unless and until determined by either party giving to the the other not less than six months' written notice. The Manager is entitled to receive the quarterly management fee described below under "Charges and expenses".

The Manager has delegated the investment management of the Company to the Investment Manager under an Investment Management Agreement dated 7th July, 1986. The fees and expenses of the Investment Manager are payable by the Manager. The agreement provides that the appointment of the Investment Manager will continue in force for e period of three years from its date and thereafter unless and until determined by either party giving to the other not less than six months' written notice.

Under the Investment Management Agreement, the Investment Manager is entitled to retain the services of one or more investment advisers approved by the Directors to advise as to the investment of the assets of the Company. By two Investment Advisory Agreements both dated 7th July, 1986 the Investment Manager has (with such approval) appointed the Investment Advisers as its investment advisers for a period of three years and thereafter unless and until determined by either party giving to the other not less than three months' written notice. The fees and expenses of the Investment Advisers will be borne by the Investment Manager.

The Manager is incorporated in and under the laws of Bermuda with limited liability. The directors of the Manager are R.H.L. Thomas, D.R.G. Paterson, J.D. Campbell and C.V. Zuill. The issued share capital of the Manager is $12,000, the whole of which is beneficially owned by Jardine Fleming Investment Management Limited, a wholly-owned subsidiary of Jardine Fleming Holdings Limited ("JFHL").

The Investment Manager is incorporated in and under the laws of Panama with limited liability. Its directors are R.H.L. Thomas, C.C. Grubb, P.A.F. Gifford, D.R.G. Paterson, S. de L. Walters and M.B.E. White and its issued share capital (which is beneficially owned by Jardine Fleming International Holdings Limited, a wholly owned subsidiary of JFHL) is $150,000.

Jardine Fleming Investment Management Limited, which is incorporated in Hong Kong with limited liability and has an issued share capital of 5,000,000 Hong Kong dollars wholly owned by JFHL, is the principal investment advisory and management company withio Jardine Fleming. As mentioned above under "Jardine Fleming", Jardine Fleming's team of executives in Hong Kong and in Tokyo have considerable experience both of the Japanese equity market and of the warrant market.

Robert Fleming Investment Management Limited, which is incorporated in England with limited liability and has an issued share capital of £10,000 wholly owned by Robert Fleming Holdings Limited, will in particular provide the Investment Manager with advice concerning the debt securities portfolio of the Company.

Custodian and Registrar

The Company has entered into an agreement dated 7th July, 1986 (the "Custodian Agreement") with Banque Internationale à Luxembourg S.A. (the "Custodian"). The Custodian Agreement has no fixed duration and may be terminated by either party upon giving three months' notice.

The Custodian was established as a *société anonyme* in Luxembourg on 8th March, 1856. Its corporate life, unless extended, will expire in 2014. It has been engaged in banking activities since incorporation and its share capital and reserves amounted, at 31st December, 1985, to LFR 2,489,899,500 and LFR 2,719,299,943 respectively.

The Custodian Agreement provides that all securities and cash of the Company, other than cash in any operating accounts for expenses or dividend disbursement accounts (which may be maintained at other banks), are to be held by or to the order of the Custodian. The Custodian will also be responsible for the collection of principal and income on, and the payment for and collection of proceeds of, securities bought and sold by the Company. The Custodian may appoint one or more depositaries or correspondents.

The Company has also appointed Banque Internationale à Luxembourg S.A. as its Domiciliary Agent, Registrar, Transfer Agent and Paying Agent pursuant to agreements all dated 7th July, 1986 to assist the Company at its principal office in Luxembourg with general administrative tasks, to provide facilities for an office in Luxembourg, to maintain the Register of Shareholders, and effect transfers on the Register and for the making of payments on bearer Shares. The Company and Banque Internationale à Luxembourg S.A. have entered into a London Transfer Agency Agreement dated 7th July, 1986 with Barclays Bank PLC whereby Barclays Bank PLC has been appointed London Transfer Agent.

Charges and Expenses

Under the terms of the Management Agreement referred to above, the Manager will be entitled to a quarterly fee equal to 5/16ths per cent. of the net assets of the Company as at the end of the relevant calendar quarter. The fee for the initial period ending 30th September, 1986 will be a proportionate amount based on the number of days elapsed. The Manager will be responsible for paying the fees of the Investment Manager, who will be responsible for paying the fees of the Investment Advisers and any further investment advisers.

The fees and expenses of the Custodian will be borne by the Company. The Company will be responsible for any fees and expenses payable to any depositaries or correspondents.

Each of the Directors of the Company will be paid remuneration at such rate as may from time to time be determined by resolution of the Company in general meeting. The Directors may also be paid all travelling, hotel and other expenses properly incurred by them in attending meetings of the Company.

The Company will, in addition to the fees and expenses payable to the Manager, the Custodian and the Directors, bear all its operating expenses including the fees and expenses of the Domiciliary Agent, Registrar, Transfer Agent and Paying Agent, London Transfer Agent and Paying Agent, of the auditors of the Company and of the legal advisers to the Company and to the Issue, the costs of printing and distributing proxies, share certificates, the half-yearly and annual reports and statements, other promotional expenses incurred for the benefit of the Company, the expenses of redemption of the Preference Shares, registration fees and other expenses due to supervisory authorities in various jurisdictions, stock exchange listing fees, and all dealing expenses and commissions.

In connection with the arrangements for the subscription of the Issue described in paragraph 12 of Appendix II below, the Company will pay to Robert Fleming & Co. Limited a commission of 2⅛ per cent. of the aggregate issue price of the Shares, out of which it will pay sub-underwriting commissions and certain expenses. The costs and expenses of the Issue payable by the Company, including the commission payable to Robert Fleming & Co. Limited, the costs and expenses incurred in connection with the formation of the Company, the preparation and publication of this document, the application to The Stock Exchange, London for admission of the Shares to The Stock Exchange's Official List and the application for the Shares to be quoted on the Luxembourg Stock Exchange, all legal, printing and advertising costs, the out-of-pocket expenses of Robert Fleming & Co. Limited, the Manager, the Investment Manager and the Investment Advisers in connection with the Issue and the entering into of the contracts referred to in Appendix II and the Luxembourg incorporation tax of LFR 50,000, are estimated to amount to $1,560,000. These costs and expenses will be borne by the Company and amortised over the Company's first five financial years.

Taxation

The following summary is based on the law and practice currently in force in Japan, the Grand Duchy of Luxembourg and the United Kingdom and is subject to changes therein.

Japan
Dividends and interest (if any) received by the Company from Japanese sources will suffer Japanese withholding tax at the rate of 20 per cent. No double taxation treaty relief or exemption will apply. The Company has been advised that it should not be liable to Japanese taxation in respect of any gains realised by the Company on the sale or other disposal of investments in Japanese companies (including warrants) or in respect of any income, such as interest on moneys placed on deposit, derived from sources other than Japan.

Luxembourg
Under present Luxembourg law there are no Luxembourg income, capital gains, estate or inheritance taxes payable by the Company or its shareholders in respect of their Shares in the Company, except by shareholders who are domiciled in, or are resident of, or have a permanent establishment in, the Grand Duchy of Luxembourg and except by certain former Luxembourg residents. The Company is subject to the taxes levied on Luxembourg collective investment undertakings at the rate of 0.06 per cent. per annum, based upon the value of the net assets of the Company on the last day of each calendar quarter and payable quarterly. A tax of LFR 50,000 has been paid on the incorporation of the Company.

United Kingdom
Central management and control of the Company is not undertaken in the United Kingdom, so that the Company is not resident in the United Kingdom for taxation purposes and should not, therefore, be liable to United Kingdom corporation tax on its income or gains.

Subject to their individual circumstances, shareholders resident in the United Kingdom for taxation purposes will be liable to United Kingdom income tax or corporation tax in respect of any dividends or other income distributions of the Company.

The Company has been advised that neither the Ordinary Shares nor the Preference Shares will constitute "material interests" in the Company for the purposes of the offshore fund legislation contained in the Finance Act 1984. Accordingly, no part of the proceeds of sale, redemption or other disposal of Ordinary Shares or Preference Shares should constitute income for United Kingdom taxation purposes in any shareholder's hands, except where the shareholder is treated for United Kingdom taxation purposes as dealing in securities. The sale, redemption or other disposal of an Ordinary Share or a Preference Share may, however, give rise to the realisation of a gain or loss for the purposes of United Kingdom taxation of chargeable gains. Where a shareholder resident or ordinarily resident in the United Kingdom for taxation purposes so realises a gain in respect of any Share, he may, subject to his individual circumstances, be liable to United Kingdom capital gains tax or corporation tax on that gain.

The attention of companies resident in the United Kingdom for taxation purposes is drawn to the fact that the controlled foreign companies provisions contained in the Finance Act 1984 could be material to any company so resident that holds, alone or together with certain other associated persons, 10 per cent. or more of the Ordinary Shares in the Company, if at the same time the Company is controlled by companies or other persons who are resident in the United Kingdom for taxation purposes.

General
Dividend and interest payments received by the Company on its portfolio investments may be subject to irrecoverable withholding taxes deducted by the persons making those payments.

Investors should inform themselves of and where appropriate consult their professional advisers on the possible tax consequences of subscribing for, buying, holding or selling Shares or redeeming Preference Shares under the laws of their country or citizenship, residence or domicile.

APPENDIX I
Particulars of Rights attaching to the Shares

The principal rights and restrictions attaching to the Preference Shares and the Ordinary Shares are set out in the Articles of Incorporation of the Company and include provisions to the effect set out below.

As regards income
To the extent that the same have not been redeemed on or before 30th June, 1995 and so far as permitted by law, the holders of the Preference Shares shall be entitled thereafter (in priority to any application of profit for the benefit of any other class of shares) to a cumulative preferential dividend of one per cent. on the par value of the Preference Shares ("Preferential Dividend") for every accounting year of the Company beginning after 30th June, 1995. Subject to the Preferential Dividend (which is not expected to become payable since it would begin to accrue after the due date for redemption of the Preference Shares), the profits of the Company available for dividend and resolved to be distributed in respect of each financial year or other period of the Company beginning after 30th June, 1995 may be applied in payment of dividends to the holders of the Ordinary Shares Dividends must be declared by the shareholders in general meeting.

As regards capital
On a return of capital on liquidation or otherwise the surplus assets of the Company remaining after payment of its liabilities shall be applied, first, in repaying to the holders of the Preference Shares the par value of the Preference Shares held by them together with a premium of $98 per Preference Share and the balance of such assets shall be distributed among the holders of the Ordinary Shares rateably. Save as aforesaid, the Preference Shares shall not entitle the holders thereof to any further or other rights of participation in the assets of the Company.

As regards redemption

(1) The Company shall redeem the Preference Shares at the issue price per Preference Share, which consists of the par value plus, subject as herein provided, a premium of $98 per Preference Share on 30th June, 1995. Under current Luxembourg law, the par value of the Preference Shares may be redeemed out of profits, reserves (other than legal reserve) or the proceeds of a new issue of shares and the premium may be met from any of those sources or from the Company's paid-in surplus (which is in most respects equivalent to the share premium account).

(2) To the extent that it may not be lawful for the Company to effect any redemption pursuant to its obligations under the preceding paragraph such redemption shall be effected as soon thereafter as may be lawful and unless and until such redemption shall have been effected no profits or reserves of the Company lawfully applicable to the redemption of the Preference Shares shall be capitalised or distributed by way of dividend or otherwise (except for the Preferential Dividend) or applied in or towards the purchase of any other class of shares in the Company.

(3) To the extent that it may not be lawful for the Company to effect any redemption pursuant to its obligations under paragraph (1) above, the maximum amount which it is lawful for the Company to apply towards such redemption shall be applied in payment pro rata to the holder of each Preference Share.

(4) The Ordinary Shares are not redeemable.

As regards voting
The holders of Preference Shares shall have the right to receive notice of and to attend any general meeting of the Company but shall have no right as such to vote thereat save and unless the Company shall fail to redeem the Preference Shares on the due redemption date shown above in accordance with the terms of the Articles of Incorporation or as otherwise provided by law. In the event of the operation of law or such failure of the Company and for so long as such operation of law or such failure continues every holder of Preference Shares shall be entitled to cast one vote for each Preference Share of which he is the holder at all general meetings of the Company.

Under current Luxembourg law and the Articles of Incorporation, the Preference Shares will have voting rights in the following circumstances:—

(a) on the issue of further shares ranking in priority to or pari passu with the Preference Shares;
(b) on the modification or variation of the rights attached to the Preference Shares;
(c) on conversion of the Preference Shares into Ordinary Shares;
(d) on reductions of authorised or issued capital;
(e) on amendments to the objects clause contained in Article 3 of the Articles of Incorporation;
(f) on the issue of convertible bonds;
(g) on liquidation of the Company;
(h) on conversion of the Company from a *société anonyme* to another form of company;
(i) on the Preferential Dividend falling two years into arrears; and
(j) on the Preference Shares becoming the majority of the issued share capital of the Company.

Each holder of Ordinary Shares shall have one vote for each Ordinary Share of which he is the holder at all general meetings of the Company, subject to the limitations imposed by Luxembourg law. Luxembourg law provides that on all ordinary resolutions (i.e. resolutions other than resolutions to amend the Articles of Incorporation), no shareholder or any person acting as a proxy for a shareholder may vote in respect of an aggregate of more than 20 per cent. of the issued shares in the Company carrying the right to vote or more than 40 per cent. of the shares represented at the general meeting and having the right to vote thereat.

JF PACIFIC WARRANT COMPANY S.A.

APPENDIX II
General Information

1. Constitution and share capital

The Company is a closed-end investment company incorporated with limited liability in Luxembourg on 5th July, 1986, as a *société anonyme* under the law of 10th August, 1915, as amended, of the Grand Duchy of Luxembourg and qualifies as a collective investment undertaking under the law of 25th August, 1983. The Company is registered under number R.C. Lux. No. B 24492 at the Register of Commerce at the District Court of Luxembourg where its Articles of Incorporation are available for inspection and where copies thereof may be obtained upon request. The constitution of the Company in defined in its Articles of Incorporation, which will be published in the *Mémorial* on 30th July, 1986. The "*Notice Légale*" required by Luxembourg law in connection with the present offering of Shares will be filed at the Register of Commerce at the District Court of Luxembourg prior to the commencement of dealing to the Ordinary Shares and Preference Shares on the Luxembourg Stock Exchange. The principal and registered office of the Company in at 2 Boulevard Royal, Luxembourg. It has not yet commenced business.

The Company has an authorised share capital of $2,400,000 divided into 600,000 Ordinary Shares of $2 each and 600,000 Preference Shares of $2 each. On incorporation 11,900 Ordinary Shares and 11,900 Preference Shares were issued fully paid to Banque Internationale à Luxembourg S.A. and 100 Ordinary Shares and 100 Preference Shares were issued fully paid to LIREPA S.A., the subscribers to the Articles of Incorporation. These Shares will be sold to other investors as part of the issue. The Articles of *Incorporation authorised the Directors* to *increase the paid-up capital to $2,400,000*; this authority will expire, unless extended by the shareholders in general meeting, on the fifth anniversary of the date of publication of the Articles of Incorporation in the *Mémorial*.

The share capital of the Company is as follows:-

	ORDINARY SHARES OF $2 EACH	PREFERENCE SHARES OF $2 EACH
Issued to subscribers	12,000	12,000
Now being issued	488,000	488,000
Total issued and now being issued	500,000	500,000
Total authorised but unissued	100,000	100,000
Aggregate number presently authorised	600,000	600,000

Save as disclosed above, no issues of share capital have been made by the Company.

All Shares of the same class will rank *pari passu* among themselves.

No part of the capital of the Company is under option or agreed conditionally or unconditionally to be put under option. As stated above, the Directors are aware of intended applications from sub-underwriters for a approximately 75 per cent. of the issue, which will be allotted in full.

2. Further issues and purchases of Shares and calculation of net asset value

Apart from the issue, no issue of Shares (other than to shareholders of the same class pro rata to existing holdings) will be made without the prior approval of the shareholders in general meeting. No issue will be made which would effectively alter the control of the Company without the prior approval of the shareholders in general meeting. As long as non-voting Preference Shares remain in issue, the number of Ordinary Shares shall be equal to the number of non-voting Preference Shares comprised in any increase or reduction of capital.

The Articles of Incorporation provide that any further issue of Ordinary Shares other than an issue to ordinary shareholders pro rata to their existing holdings must be at a price not lower than the net asset value per Ordinary Share. For such purpose, and subject to the detailed provisons of the Articles of Incorporation, the net asset value per Ordinary Share will be determined by calculating the value of the net assets of the Company, deducting the aggregate market value of the Preference Shares based on the latest quoted sale price on either of the stock exchanges on which the Preference Shares are listed, and dividing the balance by the total number of Ordinary Shares outstanding. The total number of Ordinary Shares outstanding does not for this purpose include Ordinary Shares previously purchased and still held by the Company or any subsidiary.

The value of the net assets will be determined by deducting liabilities (excluding share *capital and reserves) from assets (which include accrued income). For the purpose of* determining the assets of the Company, the realisable market value of the securities (which term includes bonds, shares and warrants) held in the Company's portfolio governs their valuation. The market value of securities held by the Company which are listed or dealt in upon any stock exchange is their closing sale price on such exchange. In the case of such securities for which no sale price has been reported during the relevant day, the market value is the last reported bid price recorded on the stock exchange. The value of securities for which no price quotations are available will be the estimated realisable value determined in such manner, consistent with generally accepted accounting procedures, as the Company considers appropriate.

It is intended that the net asset value per Ordinary Share will be published on a weekly basis.

Any Ordinary Shares or Preference Shares that are purchased by the Company may be resold by the Company at any time to any person at a price not lower than the most recently available closing sale price per Ordinary Share or Preference Share (as the case may be) on any of the stock exchanges on which the Ordinary Shares or Preference Shares (as the case may be) of the Company may for the time being be listed. Any such resale will be made on The Stock Exchange in London (on the basis of the information available in the statistical services in compliance with The Stock Exchange) or on the Luxembourg Stock Exchange (on the basis of the latest available prospectus and accounts of the Company).

3. Restrictions on U.S. Persons

The Articles of Incorporation of the Company provide, *inter alia*, that the Company may decline to issue any share or register any transfer of a Share if it appears to the Company that the issue or transfer would result in beneficial ownership of such a Share by a person, firm or corporate body whenever it appears that the Company would suffer tax, financial or legal disadvantages from allowing or accepting such person, firm or body as a shareholder because of their nationality, residence or domicile and may require Shares to be sold where it appears to the Company that the beneficial owner of such Shares is such a person, firm or body. If the shareholder refuses to comply with such a requirement, the Company will be entitled to sell such Shares on behalf of the shareholder on any stock exchange on which the Shares of the relevant class may for the time being be listed and the net proceeds of the sale by the Company will be paid to the shareholder after deduction of all expenses properly incurred by the Company in connection with the sale.

4. Share premium account

39¢ will be credited to paid-in surplus (which is in most respects equivalent to share premium account) in respect of each Preference Share issued pursuant to the issue. The premium payable on the redemption of the Preference Shares may be debited to this account.

5. Indebtedness and borrowings

The Company has no loan capital (including term loans) outstanding, or created but unissued, nor any outstanding *mortgages, charges, debentures* or *other borrowings or* indebtedness in the nature of borrowing, including bank overdrafts and liabilities under acceptances or acceptance credits or other similar indebtedness, hire purchase commitments, or guarantees or other material contingent liabilities.

The Company has power to borrow in order to provide gearing. The Articles of Incorporation contain no limitation on borrowing and confer the power to determine the terms and conditions thereof on the Directors. The Directors have resolved to limit borrowings to 25 per cent. of the market value of the Company's total net assets as referred to in paragraph 18 below. As stated above, the present intention of the Directors is that no borrowings will be made except on a temporary basis to cover cash shortfalls.

6. Registered Shares and bearer Shares

Certificates for Shares will be issued in registered or bearer form. Unless otherwise requested, certificates will be issued in registered form. Shares may after issue be converted from bearer to registered form, or vice versa, on payment of a handling charge in accordance with customary banking practice. Bearer certificates will initially be issued in the denominations of five Ordinary Shares and five Preference Shares. Registered Shares will initially be represented by renounceable letters of acceptance, which will be renounceable until Friday, 29th August, 1986.

Every holder of Shares in registered form shall be entitled, without payment, to receive one certificate for all Shares of any one class held by such shareholder or several certificates each for one or more such Shares of such class upon payment for every certificate after the first of such reasonable out-of-pocket expenses as the Directors may from time to time determine. In the case of a Share in registered form held jointly by several persons, delivery of a certificate to one of several joint holders shall be sufficient delivery to all. A registered shareholder who has transferred part of the Shares comprised in his registered holding shall be entitled to a certificate for the balance without charge. If a share certificate in defaced, worn out, lost or destroyed it may be replaced without fee but on terms (if any) as to evidence and indemnity and to payment of any exceptional out-of-pocket expenses of the Company in investigating such evidence and preparing such indemnity as the Directors may think fit and, where it in defaced or worn out, after delivery of the old certificate to the Company, provided that in respect of bearer Shares, no new Share certificate will be issued to replace one that has been lost, unless the Company in satisfied beyond reasonable doubt that the original has been destroyed.

Transfers of registered Shares may be effected by delivering the certificate or certificates therefor to the Company together with an instrument of transfer satisfactory to the Company, or by written declaration of transfer inscribed in the Register of Shareholders, dated and signed by the transferor and transferee, or by persons holding suitable powers of attorney to act therefor. No fee shall be charged by the Company for registering any transfer, or other document relating to or affecting the title to any Share, or for otherwise making any entry in the Register of Shareholders relating to any Share.

Barclays Bank PLC will act as London Transfer Agent for the Registrar and Transfer Agent and will accept on its behalf certificates for Shares together with transfer forms at its office in London for registration in Luxembourg.

Title to bearer Shares passes by delivery of the certificates.

7. Dealings on the stock exchanges

Applications have been be made to The Council of The Stock Exchange in London for the Ordinary Shares and the Preference Shares in issue and the subject of the issue to be admitted to the Official List. Dealings in respect of Shares on The Stock Exchange in London are expected to commence on 24th July, 1986.

Applications have been made for the Ordinary Shares and Preference Shares in bearer form to be admitted to official quotation on the Luxembourg Stock Exchange. Dealings in respect of the Shares on the Luxembourg Stock Exchange are expected to commence on 24th July, 1986.

The Ordinary Shares and the Preference Shares will be separately listed and dealt in in both London and Luxembourg.

Dealings on The Stock Exchange in London will be in pounds and for normal settlement. Dealings on the Luxembourg Stock Exchange will be in dollars and settlement will normally be on the fifth business day after the contract is made.

8. Reports and accounts

Copies of the audited financial statements of *the Company* (made up to 30th June in each year) will be sent to registered shareholders at their registered addresses and made available for collection by holders of bearer Shares at the Company's registered office and the offices of the Paying Agents shown above not less than 21 days before the date fixed for the general meeting of the Company at which they will be considered. Copies of a half-yearly report on the Company and the half-yearly unaudited financial statements of the Company for the six months ending 31st December in each year will be sent to holders of registered Shares and will be made available for collection by holders of bearer Shares at the Company's registered office and the offices of the Paying Agents shown above. Notice as to the availability of the annual report and accounts and of the half yearly reports will be published in the Financial Times and the Luxemburger Wort and/or in other newspapers as the Directors may decide.

9. Notices and general meetings

The annual general meeting of shareholders of the Company will be held at 3.00 p.m. on the third Friday in November (or if that day is not a business day the next following business day) each year in Luxembourg for the purpose, *inter alia*, of considering the audited financial statements of the Company. General meetings may be held outside Luxembourg if in the absolute and final judgment of the Board exceptional circumstances so require. Notices convening the annual general meeting and containing the agenda (together with the annual report and accounts of the Company) will be sent to registered shareholders at their registered addresses not later than 21 days before the date fixed for the meeting. Other general meetings may be convened from time to time by the Directors by sending notices (containing the agenda) to registered shareholders at their registered addresses. Notices (containing the agenda) to the holders of bearer Shares convening the annual general meeting and other general meetings will be published in the *Mémorial*, the Financial Times, the Luxemburger Wort and/or in such other newspapers as the Directors may decide.

Holders of bearer Shares who wish to vote at any meeting of shareholders will be required to deposit their certificates with a Paying Agent and may obtain voting certificates for use at the meeting or issue proxies which must be deposited with the Company, or as the Directors may decide, at least 48 hours before the duly appointed time of the meeting.

Registered shareholders will not be required to lodge their certificates and may appoint proxies by giving at least 48 hours' notice.

10. Accountants' report

The following is a copy of a report received from Ernst & Whinney, the Auditors and Reporting Accountants of the Company:—

To the Directors,
JF Pacific Warrant Company S.A.
2 Boulevard Royal,
Luxembourg

7th July, 1986

Gentlemen,

We report that JF Pacific Warrant Company S.A. was incorporated on 5th July, 1986. The Company has not yet commenced business and accordingly no accounts have been made up and no dividends have been declared or paid.

Yours faithfully
Ernst & Whinney
Reviseurs d'Entreprises

11. Directors' and others' interests

(a) No Director has any interest in the share capital of the Company. The following Directors have, however indicated their intention to apply under the issue for the number of Units specified against their names:-

Mr. A. H. Smith	500
Mr. A. R. Fleming	500
Mr. N. T. Sibley	500
Mr R. H. L. Thomas	500

(b) Mr. A. H. Smith and Mr. R. H. L. Thomas are directors and full-time employees of Jardine Fleming Holdings Limited, which owns (directly or indirectly) the whole of the issued share capital of the Manager, the Investment Manager and Jardine Fleming Investment Management Limited, all of which will receive fees in connection with the investment and reinvestment of the Company's assets under the Agreements referred to in paragraphs 14(i), (ii) and (iii) below.

(c) Jardine Fleming may receive normal brokerage commissions, which it will be entitled to retain, for dealing on behalf of the Company. Furthermore, the Company (acting through the Investment Manager) may deal as principal with companies forming part of Jardine Fleming or Robert Fleming, particularly in relation to warrants (where Robert Fleming is a major market-maker). Jardine Fleming or Robert Fleming, as the one may be, and will be entitled to retain any profits made. Any such dealings will be on arm's length terms.

(d) Mr. A.R. Fleming is a director and full-time employee of Robert Fleming Holdings Limited and a director of Robert Fleming Investment Management Limited. Robert Fleming holds effectively a half interest in Jardine Fleming. In addition, Robert Fleming will receive a commission in connection with the issue under the agreement referred to in paragraph 14 (xii) below and a fee under the Agreement referred to in paragraph 14(iv) below.

(e) Mr. J. Kauffman and Mr. C. Meiers are full-time employees of Banque Internationale à Luxembourg S.A., which will receive its normal fee in connection with the services to be performed by it under the Agreements referred to in paragraphs 14 (v), (vi), (vii) and (viii) below.

(f) Mr. N. T. Sibley is a Director of de Zoete & Bevan, which will receive a fee as joint brokers to the issue. De Zoete & Bevan is a subsidiary of Barclays Bank PLC, which will receive fees as receiving banker for the issue and London Transfer Agent for the *Company*.

(g) Mr. Yasuo Kanzaki is a Senior Managing Director of The Nikko Securities Co., Ltd., which is the parent company of The Nikko Securities Co., (Europe) Ltd., which will receive a sub-underwriting commission in connection with the issue under the Agreement referred to in paragraph 12 below.

(h) Save as aforesaid no Director has any interest in any transaction which, since its incorporation, has been effected by the Company.

(i) The Directors are not aware that, immediately following the issue, any person will hold five per cent. or more of the Preference Shares and/or the Ordinary Shares.

(j) There are no Directors' service contracts with the Company. In the current financial year it is expected that the aggregate remuneration paid to the Directors will not exceed $15,000.

(k) There is no provision regarding the retirement age of Directors.

12. Subscription Arrangements

By an Agreement (the "Subscription Agreement") dated 7th July, 1986 and made between (1) the Company and (2) Robert Fleming & Co. Limited, Robert Fleming & Co. Limited has agreed, subject to the Shares being admitted to the Official List by the Council of The Stock Exchange, London and to quotation on the Luxembourg Stock Exchange being granted, in each case by not later than 23rd July, 1986, and on the basis of the warranties and the *indemnity by the Company therein contained, on behalf of the Company* to offer all of the Shares the subject of the issue to the public for subscription upon the terms set out in this document and, to the extent that Shares are not subscribed pursuant to this document and/or pursuant to the terms of sub-underwriting arrangements, itself to subscribe for such Shares and pay the amount payable on application therefor upon such terms. A commission of 2½ per cent. will be payable to Robert Fleming & Co. Limited, out of which it will pay a fee to the brokers and sub-underwriting commission. Robert Fleming & Co. Limited is entitled to the reimbursement from the Company of its out-of-pocket expenses in relation to the issue as mentioned in "Charges and expenses" above.

By a sub-underwriting agreement dated 7th July, 1986 between Robert Fleming & Co. Limited and The Nikko Securities Co., (Europe) Ltd. ("Nikko"), Nikko has agreed to sub-underwrite 30 per cent. of the issue.

13. Forward contract

Although it is possible to subscribe for a limited amount of Units in dollars or sterling, the Company's accounts are kept in dollars. Accordingly, on 4th July, 1986 Robert Fleming & Co. Limited, on behalf of the Company, has bought the right to sell £10 million forward for dollars at a rate of $1.53 to £1 for delivery Friday, 18th July, 1986 at a total cost of £90,500. The amount of £10 million represents the Directors' estimate of the subscriptions that will be received in sterling. To the extent that subscriptions are received in sterling for an amount greater or less than £10 million the Company will be exposed to fluctuations in the sterling/dollar rate up to 18th July, 1986.

14. Material contracts

The following contracts, which may be amended at any time by the parties thereto, have been entered into on or prior to the date of this document and are, or may be, material:—

(i) Management Agreement dated 7th July, 1986 between (1) the Company and (2) the Manager whereby the Company appointed the Manager, subject to the overall supervision of the Directors, to manage the Company's investments and affairs, with powers of delegation. The Agreement contains provisions indemnifying and exempting the Manager from liability not due to its wilful misfeasance, negligence, bad faith or reckless disregard of duties. For the purposes of carrying out its duties under the Agreement, certain of the functions, duties, powers and discretions of the Directors are exercisable by the Manager. In the event of the termination of the Management Agreement, these functions, duties, powers and discretions would revert to the Directors. The Agreement is for a period of three years and will continue thereafter unless and until terminated by six months' notice in writing being given by either party to the other;

(ii) Investment Management Agreement dated 7th July, 1986 between (1) the Company, (2) the Manager and (3) the Investment Manager whereby the Manager appointed the Investment Manager, subject to the overall direction of the Manager, to manage the Company's investment portfolio without further power of delegation but with power to take and rely upon investment advice from one or more investment advisers approved by the Manager and the Company. The Agreement contains provisions whereby the Manager agrees to indemnify and exempt the Investment Manager from liability not due to its wilful misfeasance, negligence, bad faith or reckless disregard of duties. The Agreement in for a period of three years and will continue thereafter unless and until terminated by six months notice in writing;

(iii) Investment Advisory Agreement dated 7th July, 1986 between (1) the Company, (2) the Investment Manager and (3) Jardine Fleming Investment Management Limited ("JFIML") whereby JFIML agreed to give investment advice to the Investment Manager with respect to the Company's portfolio, with particular reference to its equity and warrant portfolio. The Agreement contains provisions whereby the Investment Manager agrees to indemnify and exempt JFIML from liability not due to its wilful misfeasance, negligence, bad faith or reckless disregard of duties. The Agreement is for a period of three years and will continue thereafter unless and until terminated by three months' notice in writing;

(iv) Investment Advisory Agreement dated 7th July, 1986 between (1) the Company, (2) the Investment Manager and (3) Robert Fleming Investment Management Limited ("RFIM") whereby RFIM agreed to give investment advice to the Investment Manager with respect to the Company's portfolio with particular reference to its portfolio of debt securities. The Agreement contains provisions whereby the Investment Manager agrees to indemnify and exempt RFIM from liability not due to, its wilful misfeasance, negligence, bad faith or reckless disregard of duties. The Agreement in for a period of three years and will continue thereafter unless and until terminated by three months' notice in writing;

(v) Custodian Agreement dated 7th July, 1986 between (1) the Company and (2) the Custodian whereby the Company appointed the Custodian to act as the custodian of its investments and cash. The Agreement exempts the Custodian from liability to the Company not due to its wilful misfeasance, negligence, bad faith or reckless disregard of duties. The Agreement may be terminated by three months' notice in writing by either party to the other;

(vi) Domiciliary Agreement dated 7th July, 1986 between (1) the Company and (2) Banque Internationale à Luxembourg S.A. whereby the latter agreed to act as the Company's Domiciliary Agent;

(vii) Registrar and Transfer Agency Agreement dated 7th July, 1986 between (1) the Company and (2) Banque Internationale à Luxembourg whereby the latter agreed to act as the Company's Registrar and Transfer Agent;

(viii) Paying Agency Agreement dated 7th July, 1986 between (1) the Company and (2) the Paying Agent whereby the latter agreed to act as the Company's Paying Agent;

(ix) London Transfer Agency Agreement dated 7th July, 1986 between (1) the Company, (2) Banque Internationale à Luxembourg S.A. and (3) Barclays Bank PLC whereby Barclays Bank PLC agreed to act as the Company's London Transfer Agent;

(x) London Paying Agency Agreement dated 7th July, 1986 between (1) the Company, (2) Banque Internationale à Luxembourg S.A. and (3) Barclays Bank PLC whereby Barclays Bank PLC agreed to act as the Company's London Paying Agent;

(xi) Receiving Bank Agreement dated 7th July, 1986 between (1) the Company and (2) Barclays Bank PLC whereby the latter agreed to act as the Company's Receiving Bank.

(xii) the above-mentioned Subscription Agreement; and

(xiii) the above mentioned forward contract.

15. Summary of the Company's objects

The Articles of Incorporation of the Company provide that the object of the Company is to acquire, whether by purchase or otherwise, and hold, whether as an investment or otherwise, any shares, bonds, warrants, debenture stock obligations, debentures, mortgages, securities, contracts, options, rights and personal property of any description whatsoever issued or created by any government, corporation or other person or body in any part of of the world and to sell, exchange, vary or dispose of the same as the Company shall from time to time determine. The objects of the Company are set out in full in Article 3 of the Articles of Incorporation, which are available for inspection at the address specified below.

16. Articles of Incorporation

The Articles of Incorporation of the Company, which are available for inspection as mentioned above, contain, inter alia, provisions to the following effect:—

Borrowing powers

The Directors may make short-term or long-term borrowings with or without guarantee, assume any surety undertakings, constitute and accept any mortgage guarantee and otherwise waive any preferential rights in general. *(N.B. Such borrowing powers, in common with the other provisions of the Articles of Incorporation, may be amended by a resolution of a two-thirds majority of the shareholders present and voting of a general meeting of shareholders. The quorum requirement for such a meeting is 50 per cent. of the issued shares of the Company having the right to vote.)*

Variation of rights

The rights or privileges attaching to any class of share may, subject to the provisions of the Articles of Incorporation and to the laws of Luxembourg, be varied or abrogated from time to time by a general meeting of shareholders, subject to the quorum and voting requirements provided by the laws of Luxembourg. *(N.B. Under Luxembourg law, a variation of the rights attaching to the Ordinary Shares and/or the Preference Shares will first have to be passed by a resolution of a two-thirds majority of the shareholders present and voting at a general meeting of the Company where holders of Ordinary Shares and holders of Preference Shares are entitled to vote. If the amendments are likely to have an adverse effect on the rights of the Ordinary Shares, the amendments would also require the sanction of a resolution of a two-thirds majority of those present and voting at a class meeting of the holders of the Ordinary Shares. If the amendments are likely to have an adverse effect on the rights of the Preference Shares, the amendments will require the sanction of a resolution of a two-thirds majority of those present and voting at a class meeting of the holders of the Preference Shares. The quorum requirement under Luxembourg law for these meetings would be 50 per cent. of the issued shares of the Company or, as the case may be, the relevant class. If a second meeting is called due to a lack of a quorum for the first meeting, no quorum requirement will apply.)*

Issue of Shares

The Directors are authorised to issue further Shares up to the total authorised capital in whole or in part from time to time as they in their discretion may determine, within a period expiring on the fifth anniversary of the publication of the present Articles of Incorporation in the *Mémorial*. Any authorised shares which have not been issued or agreed to be issued by the Directors before the end of this period may not be issued without a further authority from the shareholders, which may be given for successive periods of up to five years. The Directors are further authorised and instructed to determine the conditions of any issue of shares and to make any issue subject to payment of the par value of the Shares and such issue premium as they may determine.

Transfer of Shares

Transfers of registered Shares shall be effected by delivering the certificate or certificates therefor to the Company together with an instrument of transfer satisfactory to the Company, or by written declaration of transfer inscribed in the Register of Shareholders, *dated and signed by the transferor and transferee, or by persons holding suitable powers of attorney to act therefor.*

In the case of bearer Shares, the Company may consider the bearer as shareholder for all interests and purposes including instruction for transfers, payment of dividends and entitlement to notices. In the case of registered Shares, the Company shall consider the person in whose name the Shares are registered in the Register of Shareholders and, if a Share is registered in the name of more than one person, the Company will consider the first-named applicant as shareholder for all intents and purpose including instruction for transfers, payment of dividends and entitlement to notices. The Company shall be completely free from every responsibility in dealing with Shares towards third parties and shall be justified in considering any right, interest or claim of any other person in or upon such Shares to be non-existing, subject, however, to the condition that the foregoing shall deprive no person of any right which he or she might have properly to demand the registration or a change in the registration of registered shares.

Purchase of own Shares

The Company has the power to acquire for its own account, for valuable consideration, fully-paid Shares of its capital stock issued and outstanding, provided however that such acquisition is made only out of the Company's retained profits and also non-compulsory reserves and provided that Preference Shares may not be purchased after 30th June, 1993. For the purpose of this provision, non-compulsory reserves are all reserves of the *Company, including the paid-in surplus provided for in the Articles of Incorporation, except* the legal reserve.

Shares purchased by the Company shall remain in existence and may be resold but shall not have any voting rights or any right to participate in any dividends or other distributions declared by the Company or in any distribution made upon the liquidation or winding-up of the Company as long as they are held by the Company. Shares purchased by the Company hereunder may be sold at any time to any person by the Company at a price not lower than the most recent available closing sale price per Share of the relevant class on any of the stock exchanges on which the Shares of the Company may for the time being be listed.

Directors' remuneration

Each of the Directors shall be paid remuneration at such rate as may from time to time be determined by the resolution of the Company in general meeting. The Directors may be paid all travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the Directors or any committee of the Directors or general meetings of the Company or in connection with the business of the Company. Any Director who serves on any committee or who devotes special attention to the business of the Company or who otherwise performs services which in the opinion of the Board of Directors are outside the scope of the ordinary duties of a Director may be paid such extra remuneration by way of salary or otherwise as the Directors may determine.

Indemnities and responsibility

The Company may indemnify any Director or officer, and his heirs, executors and administrators, against expenses reasonably incurred by him in connection with any action, suit or proceeding to which he may be made a party by reason of his being or having been a Director or officer of the Company or, at its request, of any other corporation of which the Company is a shareholder or creditor and from which he is not entitled to be indemnified, except in relation to matters as to which he shall be finally adjudged in such action, suit or proceeding to be liable for gross negligence or misconduct. In the event of a settlement, indemnification shall be provided only in connection with such matters covered by settlement as to which the Company is advised by counsel that the person to be indemnified did not commit such a breach of duty. The foregoing right of indemnification shall not exclude other rights to which he may be entitled.

Transactions with Directors, etc.

No contract or other transaction between the Company and any other corporation or firm shall be affected or invalidated by the fact that any one or more of the Directors or officers of the Company is interested in, or is a director, associate, officer or employee of, such other corporation or firm. Any director or officer or employee of any corporation or firm with which the Company shall contract or otherwise engage in business shall not, by reason of such affiliation with such other corporation or firm, be prevented from considering and voting or acting upon any matters with respect of such contract or other business. In the event that any Director or officer of the Company may have any personal interest in any transaction of the Company, such Director or officer shall make known to the Directors such personal interest and shall not consider or vote on any such transaction; such transaction, and such Director's or officer's interest therein, shall be reported to the next succeeding meeting of shareholders.

Dividends

Payments of dividends to holders of registered Shares will be made to such shareholders at their addresses in the register of shareholders.

Payments of dividends to holders of bearer Shares, and notices of declaration of such dividends, will be made and given to such shareholders in the manner that the Directors shall determine from time to time in accordance with Luxembourg law. The bearer Share certificates may, at the discretion of the Directors, have attached thereto an issue a set of dividend coupons and a talon to obtain additional dividend coupons. The dividend coupon and talon in each case will bear the same number as the share certificate to which they belong. Payments of dividends will be made in such a case against tender of the relevant dividend coupons and such payment against tender will constitute absolute proof of the discharge of the Company from its liability therefor.

Unclaimed dividends

A dividend declared but not claimed by the shareholder within a period of twelve years from the declaration thereof cannot thereafter be claimed by the shareholder and shall revert to the Company.

Reserves

The Directors may create such reserves from time to time as they think proper, apart and aside from the reserves required by law, and shall create a paid-in surplus from funds received by the Company as premiums over par value on the issue or sale of its shares, which reserve or reserves may be used to provide for the redemption of the Preference Shares or the payment for any Ordinary Shares of the Company that the Company may purchase from its shareholders or for setting off any realised or unrealised capital losses.

17. Liquidation

In the event of a voluntary dissolution of the Company, either at the end of its life or prior thereto, liquidation shall be carried out by one or several liquidators, named by the meeting of shareholders effecting such dissolution and which shall determine their powers and their compensation. On a return of capital on liquidation the surplus assets of the Company remaining after payment of its liabilities shall be applied in the manner described in Appendix I above.

The Luxembourg law of 25th August, 1983, relating to collective investment undertakings, specifies the steps to be taken to enable shareholders to participate in the liquidation distribution(s) and in that connection provides for deposit in escrow at the *Caisse des Consignations* of any such amounts as have not promptly been claimed by any shareholders. Amounts not claimed from escrow within the prescribed period would be liable to be forfeited in accordance with the provisions of Luxembourg law.

18. Investment restrictions and other restrictions

The Directors have adopted the following restrictions and policies relating to the investment of the Company's assets and the activities in which it will be involved. These restrictions and policies will be adhered to for a minimum of three years following listing of the Shares, and thereafter any change will be notified in advance to shareholders.

The Directors have resolved that the Company shall not:—

(1) invest in securities of any one issuer, if the market value of the holdings of the Company in the securities of such issuer would immediately after and as a result of such investments exceed 10 per cent. of the Company's total net assets, except that such restrictions shall not apply to securities issued or guaranteed by the Government of any member-country of the Organisation for Economic Cooperation and Development or any of their agencies;

(2) invest in any class of securities of any single issuer d, immediately after and as a result of such investment, the Company would, assuming exercise of any relevant warrants or options or any relevant conversion rights held by the Company, own more than 10 per cent. of the outstanding securities of the relevant class;

(3) make investments for the purpose of or with a view to the exercise of legal or management control by any person;

(4) (except in connection with a merger, consolidation, acquisition or reorganisation) acquire securities of other investment companies or collective investment undertakings;

(5) invest in real estate, provided that the Company may invest in securities secured by real estate or interests therein or issued by companies which invest in real estate or in interests therein;

(6) invest in commodities (including precious metals) or commodity contracts;

(7) make short sales of securities or maintain a short position, except that where the Company holds warrants to subscribe for securities in a company which are exercisable on or before the settlement date for the sale, it may sell short the number of such securities which it would receive on exercise of those warrants;

(8) make loans to other persons, provided that for the purpose of this restriction the acquisition of bonds, debentures, or other corporate debt securities and investment in government bonds, short-term commercial paper, certificates of deposit and bankers' acceptances of prime issuers or other traded debt instruments shall not be deemed to be the making of a loan;

(9) borrow amounts (including purchasing any securities on margin) in excess of 25 per cent. of its total net assets; deposits made in connection with forward contracts are not considered to be margin for this purpose;

(10) mortgage, pledge, hypothecate or in any manner transfer, as security for indebtedness, any securities owned or held by the Company except as may be necessary in connection with borrowings made pursuant to (9) above; the deposit of securities or other assets in a separate account or in escrow in connection with transactions in warrants on similar instruments shall not be considered to be a mortgage, pledge or hypothecation for this purpose;

(11) invest in securities which are not listed on an official stock exchange or regularly traded in a recognised market or in securities which cannot be readily resold because of legal or contractual restrictions or which are not otherwise readily marketable if, aggregating all such securities and as a result of such investment, more than five per cent. of the total net assets of the Company would be invested in such securities;

(12) underwrite securities of other issuers;

(13) realise any investments carried at the Directors' valuation and amounting to 50 per cent. or more of the Company's investment without the consent of the Company in general meeting;

(14) deal in forward foreign exchange or enter into forward exchange contracts except for:—

(i) transactions involving the sale of currency which is due to the Company in connection with sales of securities by the Company or the issue of Shares;

(ii) transactions involving the purchase of currency where such currency is payable by the Company in connection with the purchase of securities by the Company, the redemption of Preference Shares or the payment of dividends or distributions to shareholders;

(iii) forward currency sales to the extent of the value of securities held by the Company and denominated in such currency and of cash held by the Company in such currency;

(iv) the contract referred to in paragraph 14(xiii) above; or

(15) purchase, sell, grant or invest in call or put options in respect of securities already in issue.

If the limits set in investment restrictions (1), (2) and (11) above are exceeded as a result of any merger or amalgamation or corporate reconstruction or as a result of the purchase or redemption of Shares, or as a result of changes in market values, the Directors will endeavour to take appropriate measures to reinstate observance of these restrictions, with, however, due regard to the best interests of the Company and its shareholders.

The restrictions referred to in (2) and (3) above will not prevent the establishment of subsidiaries if for fiscal or any other reasons this is in the interests of shareholders. In applying the investment restrictions referred to above, any investments held by any subsidiary will be deemed to be held by the Company and the Company's investment in any subsidiary will be ignored.

The Directors have also resolved:—

(a) that they will exercise the power of the Company under the Articles of Incorporation to purchase the Ordinary Shares only in circumstances where the Ordinary Shares are trading at a significant discount to their net asset value; and

(b) that they will not exercise the power of the Company under the Articles of Incorporation to purchase Preference Shares unless their market value falls materially below the Treasury Bill Equivalent (except where the Preference Shares are purchased in connection with a purchase of Ordinary Shares) and that they will not in any event purchase Preference Shares after 30th June, 1993.

19. Miscellaneous

The Company has not established a place of business in Great Britain. The Company does not have any subsidiaries. The Company does not have, nor has it had since its incorporation, any employees.

The Company has not since its incorporation been engaged in, and is not currently engaged in, any litigation or arbitration nor, so far as the Directors are aware, is there any litigation or claim pending or threatened against the Company.

The Directors are of the opinion that after the issue, having regard to the net proceeds of the issue, the Company will have sufficient working capital for its present requirements.

The promoters of the Company are Robert Fleming & Co. Limited and Jardine Fleming Investment Management Limited. Save as disclosed above, no amount or benefit has been paid or given to Robert Fleming or Jardine Fleming since the incorporation of the Company and none is intended to be paid or given, other than in respect of fees for services which may be rendered in the future.

Ernst & Whinney have given and have not withdrawn their written consent to the issue of this document with the inclusion of a copy of their report in the form and context in which it is included.

The founders of the Company were Banque Internationale à Luxembourg S.A., 2 Boulevard Royal, Luxembourg, a bank incorporated in Luxembourg, and LIREPA S.A., a subsidiary of Banque Internationale à Luxembourg S.A.

20. Inspection of documents

Copies of the following documents will be available for inspection at the offices of Slaughter and May, 35 Basinghall Street, London EC2V 5DB on any weekday (Saturdays and public *holidays excepted) during normal business hours until 21st July, 1986*:—

(i) the Articles of Incorporation of the Company;

(ii) the contracts referred to under "Material contracts" above;

(iii) the report of Ernst & Whinney set out above and their consent referred to under "Miscellaneous" above;

(iv) the Luxembourg law of 10th August, 1915 on commercial companies (together with a certified translation thereof into the English language); and

(v) the Luxembourg law of 25th August, 1983 on collective investment undertakings (together with a certified translation thereof into the English language).

PROCEDURE FOR APPLICATION

No person receiving a copy of this prospectus and/or an application form in any territory other than Great Britain may treat the same as constituting an invitation to him or her nor should he or she in any event use an application form unless in the relevant territory such an invitation could lawfully be made to him or her without compliance with any local registration or other legal requirements. It in the responsibility of any person outside Great *Britain and Luxembourg wishing to make an application hereunder to satisfy himself* or herself as to full observance of the laws of the relevant territory in connection therewith, including the obtaining of any governmental or other consents which may be required or other formalities needing to be observed or performed and the payment of any transfer or other taxes requiring to be paid in such territory.

All applications for the Ordinary Shares and the Preference Shares must be for a minimum of five units and integral multiples thereof.

Each application must be made on the application form provided (with a copy to be retained by the applicant) and must be accompanied EITHER, in the case of payments in dollars, by a banker's dollar draft drawn on a bank in London or by a cheque drawn in dollars on the London office of a member bank of the London US Dollar Clearing Scheme OR, in the case of payments in sterling, by a separate cheque or banker's draft drawn in sterling on a bank or branch thereof, and payable, in England, Scotland or Wales or drawn on a clearing bank branch in the Channel Islands or the Isle of Man and be lodged with or posted to Barclays Bank PLC ("Barclays Bank"), 25 Farringdon Street, London EC4A 4HD, so as to arrive not later than 10 a.m. (London time) on Thursday, 17th July, 1986. Cheques or banker's drafts must be made payable to "Barclays Bank PLC" and crossed "Not Negotiable". A separate cheque or draft must accompany each application.

For legal reasons in Luxembourg, the application form attached hereto is in duplicate. Only the form headed "TO BE RETURNED TO BARCLAYS BANK PLC" should be returned with the applicant's cheque or draft. The other form should be returned by the applicant.

Photostat copies of application forms will not be accepted.

Acceptance of applications will be conditional on listing being granted (subject to the posting of letters of acceptance and to bearer share certificates) by the Council of The Stock Exchange, London and the Luxembourg Stock Exchange for the Ordinary Shares and the Preference Shares not later than 24th July, 1986. Monies paid in respect of applications will be returned (without interest) if listing on both Exchanges in not granted by that date and in the meantime will be retained by Barclays Bank in a separate account, the interest on which will accrue to the Company.

All cheques are liable to be presented for payment on receipt. Application monies will be retained by Barclays Bank in a separate account pending allotment or return of application monies, or any excess thereof. The right is reserved to retain letters of acceptance and Ordinary Share and Preference Share certificates and any surplus application monies pending clearance of applicants' cheques. The right is also reserved to reject any application or to accept any application in part only and in particular to reject multiple or suspected multiple applications. The right is also reserved to treat as valid any applications which do not fully comply with the conditions set out in the application form. No receipt will be issued in respect of any application monies received. In respect of applicants requesting share certificates in registered form, it is expected that letters of acceptance for Ordinary Shares and Preference Shares will be posted to successful applicants (or, in the case of joint *applicants, to the first-named applicant) at their own risk, to the address specified on the* relevant application form on or before Wednesday, 23rd July, 1986. In respect of applicants requesting share certificates in bearer form, it is expected that bearer Ordinary Share and Preference Share certificates will be posted to successful applicants (or, in the case of joint applicants, to the first-named applicant) at their own risk, to the address specified on the relevant application form on or before Wednesday, 23rd July, 1986.

Arrangements have been made for the registration by the Company of the Ordinary *Shares and the Preference Shares in the names of applicants who have requested share* certificates in registered form or persons in whose favour letters of acceptance for Ordinary Shares and Preference Shares have been renounced provided that in cases of renunciation, letters of acceptance (duly completed in accordance with the instructions contained therein) are lodged for registration not later than Friday, 29th August, 1986. Registered Ordinary Share and Preference Share certificates will be despatched on or before Wednesday, 17th September, 1986.

If an application is rejected or is accepted in part only, the application monies (or the appropriate portion thereof) will be refunded (without interest), either by returning the relevant cheque or draft or by sending a cheque made out to the applicant for, in the case of joint applicants, to the first-named applicant) and crossed "Account Payee Only", in each case through the post at the risk of the applicant(s) to the address specified on the relevant application form. It is intended that, in processing applications, special efforts will be made to avoid any undue delay in refunding application monies to any unsuccessful applicants. Refund cheques in respect of wholly or partially unsuccessful applications are expected to be posted by first class mail on or before Wednesday 23rd July, 1986.

Copies of this prospectus with Application Forms may be obtained from:-

Robert Fleming & Co. Limited 25 Copthall Avenue London EC2R 7DR England	Alexanders Laing & Cruickshank Piercy House 7 Copthall Avenue London EC2R 7BE England	de Zoete & Bevan 25 Finsbury Circus London EC2M 7EE England

or from any of the following offices of Alexanders Laing & Cruickshank:

35-39 Colomberie, St. Helier, Jersey, C.I.	12 Gildredge Road, Eastbourne, Sussex.	De Quincey House, 48 West Regent Street, Glasgow.
43 Charlotte Square, Edinburgh.	8 Liverpool Gardens, Worthing, Sussex.	4 Mendip House, Taunton.
St. Georges House, 99/101 High Street, Belfast.		

or from any of the following offices of Barclays Bank:

New Issues Department P.O. Box 123 Fleetway House 25 Farringdon Street London EC4A 4HD	63 Colmore Row, Birmingham 40 Corn Street, Bristol 35 St. Andrews Square, Edinburgh 90 St. Vincent Street, Glasgow	17 York Street, Manchester 171-172 High Street, Southampton 171 High Street, Guildford

After the Big Bang

The big survey every businessman will read and keep.

On October 27th the FT will analyse e revolution–The City Revolution.

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The FT's well-informed and authoritative approach will be reflected in the survey, making it one that every businessman in every company affected will read, keep and refer to again and again.

It is, therefore, an important issue for your advertising to appear in, one that will still be effective long after October 27th.

The person you should contact is Nigel Pullman on 01–248 8000.

INTL. COMPANIES & FINANCE

Matsushita Electric reluctant to part with $11bn cash mountain

BY CARLA RAPOPORT IN TOKYO

IN 1981, the president of Matsushita Electric told the Financial Times that exports were not likely to grow "substantially" from that year's level of Y741bn (then about $4bn).

In the year to last November, Matsushita, Japan's largest electronics company, had exports of Y1,270bn, which translates to $6.3bn on last November's exchange rate and $7.7bn on today's. "I guess that was an underestimate," sighed a hard-worked Matsushita executive over breakfast in Osaka recently.

Domestic and overseas sales for the maker of National and Panasonic products were also doing nicely during that time.

'We do understand that we should invest more internationally in order to get a higher yield, but the basic problem is the currency risk. Our basic policy is not to be involved in any risk.'

Sales more than doubled from $13.4bn in 1981 to $30.4bn last year, using today's yen-dollar rate for the latter figure. That growth has pole-vaulted Matsushita high up the ranks of the world's largest industrial companies, alongside the likes of General Electric of the US and well ahead of Unilever and Shell.

This huge sales volume, plus the excessively conservative nature of the Osaka-based company, has led to an accumulation of cash which is simply stunning, by any standards. Matsushita's "high liquidity assets," that is cash, marketable securities and bonds, totalled Y1,715bn at the end of last year and this year should top Y1,800bn. In dollars thet is pushing $11bn.

The rest of this article should carry a warning for easily-excitable merchant bankers. For those who favour active portfolio management, a bit of merger and acquisition, some high-risk ventures along with the plain vanilla investments, Matsushita is not the company to read about. Almost every scrap of its billions is in low-risk, fixed-interest Japanese bonds or bank deposits. Last year it invested 1 per cent of its money abroad—in US Treasury bills. Its return on its liquid assets was a solid 7 per cent.

It took months to get an interview with Mr Masaya Sano, Matsushite's chief financial man, but once he settled back with a cup of green tea he spoke with the usual disarming frankness thet characterises most Metsushita executives. "Our basic policy is not to be involved in any risks," he says.

Mr Sano admits that the return on its money could be higher if it went for more long-term investments—just 40 per cent of its cash mountain last yeer was in fixed-interest, long-term bonds, with en everage maturity date of five yeers. Another 44.5 per cent—$4.6bn—was in bank-time deposits of, on average, two years. The rest, save the 1 per ceot in the US, was in the Japanese secondary short-term bond market, called gensaki.

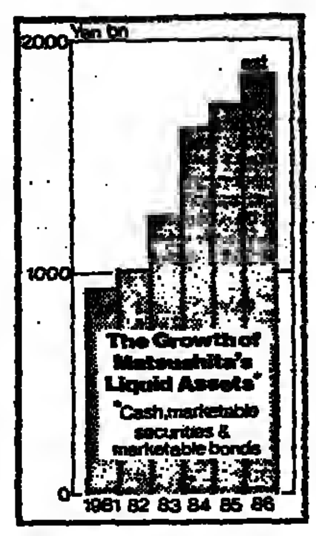
The relative emphasis on short-term investments, he says, is so that "we can invest at any time in oor new and exciting businesses, particularly semiconductors, audio-visual products and office automation.

"If we look at these opportunities, we don't think the money is too excessive. By Western standards, it does seem excessive, I agree. But the foundation of our company is always to have this reservoir of money." Later he added: "Matsushita is a manufacturer and, as a manufacturer, we should not be investing in higher risk securities just for sake of high yield."

'We thought the Saudis were conservative. They were riverboat gamblers compared to the Japanese.'

As for foreign investment, he says: "We do understand that we should invest more internationally in order to get a higher yield, but the basic problem is the currency risk. Our basic policy is not to be involved in any risk."

When the possibility of hedging currency risk was raised, he said that hedging itself is a cost. "We want to have full security to protect the principal invested. As a result, it's hard for us to invest overseas."



The Growth of Matsushita's Liquid Assets* *Cash, marketable securities & marketable bonds

Indeed, Matsushita makes so few policy decisions about its money that it has only three or four full-time executives managing it. The company has twice that number handling international public relations. Foreign investment bankers in Tokyo go glassy-eyed when the name Matsushita is mentioned. "We thought the Saudis were conservative. They were riverboat gamblers compared to the Japanese," said an executive with a leading US investment bank in Tokyo.

Matsushita, however, has a stated goal of redncing its export ratio, and raising its overseas production ratio. The company is aiming at 50 per cent domestic sales, 25 per cent exports and 25 per cent overseas production. As a result, it seems a reasonable bet that Matsushita might like to use some of its billions to pick up an nverseas electronics company nr two.

Mr Sano throws a quick wet blanket on that idea. "At present, we have no concrete plans for any overseas takeovers. We will continue to build from the ground up." At the idea of just plant and equipment, he grows more animated. "Empty facilities—that is conceivable. But no acquisitions of total businesses, with employees, no."

With just a bit of prodding, however, Mr Sano admits that in the abstract, a foreign takeover could make sense. "To be honest, from time to time, outside people bring us such proposals. We always give careful thought to this."

Each relevant department, such as engineering or marketing, is allowed to review the prospective takeover candidate. But as Matsushita has taken over only two foreign companies in nearly 70 years of business, only the truly patient marriage brokers should apply.

As for its various overseas subsidiaries, it has set up two overseas finance companies to help handle their short-term cash needs. "This is to avoid currency risk and allow us to be more quick and efficient in raising money abroad," says Mr Sano.

Matsushita's only borrowings have been taken out by its overseas subsidiaries; the parent company has no long- or medium-term debt. And just in case Matsushita changes tack, it has a further Y120bn ($723m) on its books in the form of shares which it does not consider liquid because they are part of the Japanese system of cross-shareholding: that is, holding on to shares of associated companies and banks for non-investment purposes.

As for the future, Mr Sano says that the total amount of cash is not likely to decrease. "Our basic investment policy will not see much change, but there may be a bit more diversification and international investment over the years." Despite an earlier dismissal of hedging, he edmitted that the company is studying the hedging function in the bond market—particularly short-term, three-month hedging. "It's an opportunity in the future," he says.

'Our basic investment policy will not see much change, but there may be a bit more diversification and international investment over the years.'

But Mr Sano says that Matsushita does not think of itself as a rich company: "In terms of financial strength, we are one of the leaders. But I'm not sure expression 'rich company' is appropriate."

It's all enough to make an investment banker cry.

The "Notice Légale" required by Luxembourg law in connection with the present offering of Shares will be filed at the Register of Commerce at the District Court of Luxembourg.

The subscription lists for the Ordinary Shares and Preference Shares now being offered will open at 10 a.m. (London time) on Thursday, 17th July, 1986 and may be closed at any time thereafter. One copy of this Form, duly completed, with a cheque or draft (EITHER, in the case of payment in US dollars, a banker's US dollar draft drawn on a bank in London or a cheque drawn in US dollars on the London office of a member bank of the London US Dollar Clearing Scheme OR, in the case of payment in sterling, a cheque or banker's draft drawn in sterling on a bank or branch thereof, and payable, in England, Scotland or Wales or drawn on a clearing bank branch in the Channel Islands or the Isle of Man) made payable to "Barclays Bank PLC" and crossed "Not Negotiable", representing payment of the full amount due on application should be lodged with Barclays Bank PLC, Fleetway House, 25 Farringdon Street, London EC4A 4HD, England not later than 10 a.m. (London time) on Thursday, 17th July, 1986. A separate cheque or draft must accompany each application. No application can be considered unless these conditions are fulfilled. All cheques are liable to be presented for payment. Photostat copies of Application Forms will not be accepted.

Applicants are strongly advised to use first class post and to allow at least 2 days for delivery.

JF PACIFIC WARRANT COMPANY S.A.

(incorporated as a société anonyme in and under the laws of the Grand Duchy of Luxembourg with limited liability) (R.C. Lux B 24492)

Issue of

500,000 units at a price per unit of U.S.$100 or, for subscriptions under £20,000, at the option of the applicant, £65.80, payable in full on application.

Each Unit will consist of one Preference Share (redeemable at U.S.$98 on 30th June, 1995) and one Ordinary Share.

ROBERT FLEMING & CO. LIMITED

THE NIKKO SECURITIES CO., (EUROPE) LTD.

Please fill in number of units applied for and amount of attached cheque or draft

* Number of units applied for	** Amount enclosed at U.S.$2 per Ordinary Share and U.S.$98 per Preference Share
	US$
	£

Applications must be for a minimum of 5 units or integral multiples thereof.
No applications for any other number of units can be considered and the right is reserved to reject any application, in particular multiple or suspected multiple applications.
Applicants' attention is drawn to the fact that applications should be made for either registered or bearer shares. Unless otherwise requested below, shares will be issued in registered form.

To: JF PACIFIC WARRANT COMPANY S.A. AND ROBERT FLEMING & CO. LIMITED

I/We enclose a cheque or draft payable to "Barclays Bank PLC" for the above-mentioned sum ** being the full amount due on application for the above stated number * of units (each comprising one Ordinary Share and one Preference Share) in JF Pacific Warrant Company S.A. ("the Company") at U.S.$2 per Ordinary Share and U.S.$98 per Preference Share. I/We offer to subscribe that number of such units on the terms and subject to the conditions of your prospectus dated 7th July, 1986 and subject to the Articles of Incorporation of the Company and I/we hereby undertake and agree to accept the same or any lesser number in respect of which this application may be accepted.

I/We further agree that in consideration of the Company agreeing that it will not prior to 24th July, 1986, offer any of the securities the subject of the said prospectus to any person other than by means of the prospectus, my/our application shall be irrevocable until and including 24th July, 1986 and this sentence shall contribute a collateral contract between me/us and the Company which will become binding upon receipt of this application by Barclays Bank PLC.

I/We hereby authorise you to send certificates/letters of acceptance in respect of such Ordinary Shares and Preference Shares, and/or a cheque for any monies returnable, by post at my/our risk to the address given in the box below. + I/We wish the share certificates to be in registered form and I/we hereby authorise you to procure my/our name(s) or, as the case may be the names of the persons in whose favour letters of acceptance for Ordinary Shares and Preference Shares have been renounced to be placed on the Registers of Members of the Company as the holder(s) of the said Ordinary Shares and Preference Shares. + I/We wish the share certificate to be in bearer form.

I/We hereby irrevocably authorise any director of Robert Fleming & Co. Limited to complete and execute on my/our behalf such documents and do any other acts as may be necessary or expedient to give effect to my/our application.

I/We agree that, in respect of those shares for which my/our application is not rejected in accordance with the terms of the said prospectus, notification to The Stock Exchange, London of the basis of allocation shall constitute acceptance of my/our application on such terms.

I/We acknowledge that delivery, making or collection of certificates in bearer or registered form (as the case may be) and of letters of acceptance and of cheques for any monies returnable is at my/our risk. It is accepted by me/us that in the case of my/our request for certificates in bearer form, the mailing of such certificates is not insured and is at my/our risk entirely.

+ Please delete as appropriate

I/We declare that due completion and delivery of this application form accompanied by a cheque will constitute a warranty that the cheque will be honoured on first presentation.

I/We warrant and represent that I/we have observed and complied with all requirements and obtained all consents required for this application to be made in any jurisdiction to which I/we may be subject.

I/We declare that I/we have read and noted, and will comply with, each of the statements set out on page 2 of the said prospectus.

I/We confirm that:—

I am/We are not (a) United States Person(s) (as defined on page 2 of the said prospectus) and am/are not applying on behalf of, or with a view to resale to, a United States Person.

I/We agree that this application and any acceptance will be governed by and construed in accordance with Luxembourg law.

1. Signature .... Dated 1986

◄ Christian name or Forename(s) (in full)
◄ Surname (Mr., Mrs., Miss or Title)
◄ Address (in full)

PLEASE USE BLOCK CAPITALS

(In the case of joint applications all further applicants must sign and complete below)

PLEASE PIN YOUR CHEQUE OR DRAFT HERE

2. Surname (Mr., Mrs., Miss or Title): ....
Christian name or Forename(s) (in full): ....
Address (in full): ....
Signature ....

3. Surname (Mr., Mrs., Miss or Title): ....
Christian name or Forename(s) (in full): ....
Address (in full): ....
Signature ....

4. Surname (Mr., Mrs., Miss or Title): ....
Christian name or Forename(s) (in full): ....
Address (in full): ....
Signature ....

FOR OFFICE USE ONLY
1. Acceptance No.
2. No. of units accepted
3. Share certificate Registered/Bearer
4. Letters of Acceptance No.
5. Amount received on application
6. Amount payable on units accepted
7. Amount returned
8. Returned Cheque No.

A corporation should sign under the hand of a duly authorised officer who should state his representative capacity.

Applicants in the United Kingdom are strongly advised to use first class post and to allow at least two days for delivery. The Company reserves the right to present all cheques and drafts for payment on receipt and to withhold bearer certificates and letters of acceptance for Ordinary Shares and Preference Shares and excess application monies pending clearance of applicants' cheques.

No receipt will be issued for the payment on application, but an acknowledgement will be forwarded through the post in due course, either by letters of acceptance for all the Ordinary Shares and Preference Shares applied for or, as the case may be, bearer Ordinary Share and Preference Share certificates for all the Ordinary Shares and Preference Shares applied for, or by letters of acceptance for part of the Ordinary Shares and Preference Shares applied for (or as the case may be, bearer Ordinary Shares or Preference Share certificates for part of the Ordinary Shares and Preference Shares applied for) and a cheque for any surplus money or by the return by cheque through the post of the application monies, in each case at the risk of the applicant(s).

+ Please delete as appropriate

Jordan gets tough with the banking sector

Bankers have been pleased by the firm posture of the Jordanian Central Bank but pressures are mounting on profitability, Rami Khouri reports from Amman.

JORDAN'S banking and finance sector has been ruffled by the collapse of several money changers, the apparent suicide of a leading financier, and a brief run on one of the largest commercial banks. Beneath the turbulent surface, however, deposit-laden private bankers and government officials believe the financial system has begun to make long-term adjustments warranted by this third consecutive year of economic recession.

The collapse in early May of the highly respected Saliba and Rizk Shukri Rizk money-changing house, the second largest in the country, and the death by apparent suicide of Mr Saliba Rizk, were the first signs of possible weaknesses in the structure and supervision of the Jordanian financial sector. The Rizk operation collapsed with debts of over $50m and assets of around $15m.

The Central Bank of Jordan, under the new team of governor Hussain Qasem and deputy governor Dr Maher Shukri, signalled a get-tough policy by refusing to bail out the Rizks, and asked them to appoint a new auditor to examine their books since 1982.

After three other smaller money changers suspended payments in June, the Central Bank required all the country's 87 licensed money changers to submit detailed financial position statements by mid-July. It also asked banks to refrain from making unsecured loans to owners of money changing houses or managers of investment companies, and reminded banks of existing regulations that limit facilities to money changers to a ratio of the money changers' capital.

Unsubstantiated stories in an already rumour-prone market caused a brief run at two branches of one of Jordan's largest new commercial banks. The bank drew on existing Central Bank refinancing and swap facilities to brush off the brief artificial crisis.

Bankers have been generally pleased by the Central Bank's firm posture. "The Rizk episode represented the small, unregulated side of the financial sector, and the Central Bank did well to let them sink," one leading commercial banker said.

The Rizk collapse is not expected to have direct repercussions *on the banks, as their* advances to the Rizk's were more than fully secured by collateral. Since early 1985, the Central Bank has allowed commercial banks to open separate money changing offices. By April this year (before the Rizk collapse) these had taken over about half the exchange and remittances business of the money changers.

The banks and the Central Bank, however, are engaged in a long-running debate about how to alleviate what commercial bankers say are mounting pressures on their profitability. Most local and foreign banks in Jordan have reported flat or slightly reduced earnings for 1985.

This largely reflected stricter new criteria to classify non-performing loans and make adequate provisions for them, which the banks and the Central Bank agreed this year. Banks must set aside a minimum of 1 per cent of assets as reserves against bad debts, and the Central Bank has required a few banks to raise that figure to 1.5 per cent. Although problematic loans make up well under 10 per cent of commercial bank lending, the higher provisions applied last year have started to eat into banks' profit lines.

The Central Bank last month also tightened up its enforcement of the seven-year-old fee structure for bank services, such as guarantees, letters of credit and transfers. Bankers also complain of a rigid, and recently more strictly enforced, interest rate structure, which limits interest on loans to an effective 10 per cent.

Deposits earn 8 to 8.5 per cent interest, though the real cost of funds to banks is closer to 9.5 per cent when the 1 per cent reserve requirement is calculated into the equation.

Despite the three-year-old slowdown in the economy, *Jordan's banks are flush with* deposits, which increased by 10 per cent in the past year to reach JD 1.8bn ($5.5bn) in April. Total commercial bank credits increased by the same amount, to JD 1.35bn.

According to the manager of one local bank, "*the local risk* in lending is increasing but the rewards are decreasing. The inflexible interest rate structure and tighter fee regulations give banks insufficient profit in terms of the local risk."

Consequently, some banks find it more attractive to keep their money in the bond or interbank market, earning just 8 per cent, rather than make what they perceive to be increasingly risky loans.

The government says the banks should lower the interest they pay on deposits, which a few banks have done, in order to reduce their funding costs and redress their excess liquidity at a time of constrained lending opportunities.

Westpac buys US primary dealer

By Mark Westfield in Sydney and Paul Taylor in New York

WESTPAC BANKING Corporation, *Australia's biggest* banking group, continued its aggressive offshore push yesterday by announcing an agreement to buy for US$115 William E Pollock Government Securities, one *of the 35 primary dealers* in the huge US government securities market.

When the acquisition is finalised in October, Westpac will become the first Australian institution, and one of only five non-US institutions, to own a US primary dealer.

Westpac takes the view that, as the globalisation of capital markets continues, it may become impossible to compete seriously in international markets without *being a primary* dealer in the US government securities market.

Mr Bob White, Westpac's managing director, said that participation in global capital markets was almost a compulsory strategy for the future, with a primary dealership in the US an essential part of that strategy.

Apart from Westpac, the four foreign institutions holding primary dealerships are Midland Bank and Kleinwort Benson of the UK, Hongkong and Shanghai Banking Corporation, and Bank of Montreal.

Primary dealers report their financial status to the Federal Reserve on a daily basis. They commit themselves to bidding at every auction of Treasury securities and to maintaining specified levels of trading outside the primary dealer community.

Aside from the prestige attached new secondary business from institutions which feel more comfortable doing business with a primary dealer. In addition, primary dealers can conduct business directly with the Fed.

Pollock is among the few remaining independent primary dealers. It thus presented one of the few opportunities to attain primary status by acquisition

International placing by Hanson Trust

By Alexander Nicoll

HANSON TRUST, the *diversified UK industrial* group, yesterday launched an international placing of 75m shares, worth £138m at yesterday's closing price of 184p, issued in connection with its recent takeover of Imperial Group.

Credit Suisse First Boston is lead-managing the offering, which will be priced at or before next Monday's close with no discount to market price. The intention is to place the shares primarily outside the UK.

The shares are part of a 106m block held by an investment company. They were issued to Hanson associates which had bought Imperial Group shares during Hanson's takeover bid battle with United Biscuits. The associates received the Hanson shares in return for the shares in Imperial.

Mr Martin Taylor, a Hanson director, said the international placing was "a *natural extension of* the development of Hanson Trust." Hanson has previously issued two convertible Eurobonds, recently obtained a listing in Switzerland, and is currently seeking to have its shares traded in American Depositary Receipt form

Mr Taylor said it was too early to predict the fate of the remaining 31m shares still held by the investment associate.

Co-lead managers are Banque Paribas, Nikko Securities and Swiss Bank Corporation International. Fees total 3½ per cent.

US QUARTERLIES

GENERAL PUBLIC UTILITIES
Electricity utility

	1986	1985
First five months	$	$
Revenue	1.20bn	1.21bn
Net profits	83.5m	44.3m
Net per share	1.33	0.70
Year		
Revenue	2.88bn	2.82bn
Net profits	135.7m	147.7m
Net per share	2.16	2.35

HAMMERMILL PAPER
Paper products

	1986	1985
Second quarter	$	$
Revenue	456.2m	437.4m
Net profits	22.1m	10.8m
Net per share	1.28	0.71
Six months		
Revenue	913.8m	865.5m
Net profits	33.5m	18.7m
Net per share	1.91	1.21

KAUFMAN AND BROAD
Housing, insurance

	1986	1985
Second quarter	$	$
Revenue	251.0m	229.2m
Net profits	11.6m	7.6m
Net per share	0.58	0.34
Six months		
Revenue	447.4m	381.0m
Net profits	16.1m	14.8m
Net per share	0.74	0.86

SUPER VALU STORES
Retailer

	1986	1985
First quarter	$	$
Revenue	2.64bn	2.17bn
Net profits	29.4m	29.6m
Net per share	0.40	0.40

Generous terms on Euroyen issues

BY CLARE PEARSON

TWO NON-JAPANESE banks brought long-awaited issues to the Euroyen market as it firmed yesterday in the wake of Sunday's elections which re-established the ruling Liberal Democratic party in power in Japan.

Toronto Dominion and J. P. Morgan brought issues worth Y20bn apiece. Their respective lead-managers, Yamaichi and Nomura, both set coupons at 6 per cent. J. P. Morgan's bond, however, has a life of 7½ years and issue price of 101⅞, while Toronto Dominion's is for seven years with a 101½ pricing.

The deals came too late in the day to trade actively but terms looked more generous than Nikko's 10-year offering for Barclays Bank, launched last Friday with a 6 per cent coupon and 101⅞ price.

Hopes of a cut, perhaps this week, in Japan's 3½ per cent discount rate are now running high. The US is also expected to cut rates soon, and that kept Eurodollar prices steady yesterday although volume was low.

Two new fixed-rate dollar deals surfaced. The first brought by Morgan Stanley, was seven-year 7½ per cent financing for Finland. The $200m bond was priced at 100¼ to give a yield spread over US Treasury bonds of 46 basis points initially.

Some dealers said this was aggressive compared with outstanding issues for better known sovereigns, such as Sweden. The lead-manager, however, quoted the issue within 1⅞ per cent fees at 98¾ late in the afternoon.

Daiwa Europe launched a $100m five-year 7⅞ per cent bond for Ferrovie, the Italian state railways entity. The deal was priced at 101⅞.

In the floating-rate note (FRN) market, Sumitomo Trust International issued a $50m five-year FRN for Bergen, the Norwegian bank. The issue pays interest on a "step-up" basis. For the first two years, it pays interest at 350 basis points below six-month London interbank offered rate (Libor); during the third year, it pays six-month Libor flat. In its last two years, it pays 350 basis points over Libor. NO 15—8/8½

Two US companies brought 15-year issues convertible into their shares, and both issues met a strong reception.

Kidder Peabody launched a $35m bond for Commercial Shearing, the hydraulic components and filtration equipment concern. Pricing will take place later in the month, but the coupon was indicated at between 6 and 6½ per cent and the conversion premium at 22 to 25 per cent. The stock closed in New York on Friday at $14⅞. There will be an investors' put option in the fifth year.

PaineWebber issued a $25m convertible bond for RPM, the Ohio-based waterproofing and do-it-yourself company. Pricing should take place on July 10, but the coupon was indicated at between 5¾ and 6 per cent and the conversion premium at *13 to 18 per cent. The bond* was quoted at its par issue price on the bid side.

Yamaichi priced a recent equity-warrants bond for Nagoya Railroad with a coupon of 2⅞ per cent, as had been *indicated.* The warrants' exercise price was set at Y564, and the foreign exchange rate at Y160.15 to the dollar.

Westdeutsche Landesbank launched an Ecu 100m 10-year 7⅞ per cent bond for Euratom, the European atomic energy entity. The lead-manager said the issue was especially targeted at European savings banks.

The D-Mark market traded very quietly yesterday. Dealers noted that volume is being adversely affected by the holiday season, and said there was an almost complete absence of retail demand. A recent 10-year 6 per cent bond for the World Bank, however, traded at 98.85 on the bid side, as against a 99½ issue price.

In the Swiss franc market, prices were a touch better in reasonable volume. Customer time deposit rates for three to 12 months moved down to 4⅛ from 4⅜ per cent, which dealers hoped would help the market.

Some dealers expressed concern that the crop of public bonds that has been issued recently will overstretch demand. An additional issue for African Development Bank emerged yesterday, led by Swiss Bank Corporation. The SFr 100m 10-year bond has an indicated coupon of 5⅜ per cent.

Union Bank of Switzerland priced a recent 12-year bond for Province of Manitoba. The issue amount was set at SFr 150m, the lower end of the *indicated range.* The coupon was fixed at 5½ per cent, as had been expected.

Amsterdam-Rotterdam Bank bought a Fl200m issue of Euronotes for itself. The five-year bond pays 6 per cent coupons and is priced at 99½.

Dual-capacity trading in Bulldog bonds begins

BY OUR EUROMARKETS STAFF

"WE'VE GOT off to a flying start," said one new market maker yesterday after the end of the first day of dual-capacity trading—in which the roles of brokers and jobbers are combined—in Bulldog bonds.

The introduction of dual-capacity trading in Bulldogs, which are issues for foreign borrowers in the UK domestic market, has been widely regarded as a rehearsal for the liberalisation of the gilts and equities markets this October.

It is hoped that freely negotiated commissions and faster settlement procedures will enhance liquidity in the Bulldog market so that it will become a viable alternative for investors to the other sterling capital markets.

Some dealers noted "a very encouraging level of inquiry" from institutional investors Others, however, felt that turnover was up mainly because *½ point stamp duty on dealings* in Bulldogs, introduced in the last Budget, had been removed. Turnover had been "almost non-existent" since last March, one dealer said.

"There's been a lot of inter-professional positioning today" said one *dealer*, "but we haven't seen an end-investor."

About 11 firms officially began making markets yesterday, although dealers said that not all were active. Some were thought not to have had their internal checking and recording system in place yet.

About 19 firms have registered their intention to make markets in Bulldogs eventually although some bankers express doubts about whether the market will be able to sustain this number of players.

The volume of nominal outstandings in the market is currently tiny in comparison with the gilt and equity markets—about £3.6bn. Issues have tended to be "locked away" with investing institutions and thereafter traded only sporadically.

Japanese bank units lift Euroyen underwriting

BY YOKO SHIBATA IN TOKYO

UNDERWRITING OF bonds by overseas subsidiaries of Japanese banks is increasing rapidly. In the half year to June they lead managed a total 23 Euroyen bonds issued by non-resident borrowers against seven for the the whole of 1985.

This was out of a total of 75 Euroyen issues, also well ahead of the 59 for the whole of the previous year. The banks' performance compares with 50 issues managed by securities houses, against 47 issues for the 1985 full year.

Swiss franc straight bond issues by Japanese companies on a private placement basis are also increasing being lead-subsidiaries.

managed by Japanese bank

The country's banks have a greater freedom in their overseas activities than they enjoy at home. However, they are still restricted abroad by a 1974 Minister of Finance ruling which prevents banks from acting as book-runners or lead managers of public issues by Japanese corporate borrowers.

Their success in winning mandates for Euroyen bond issues by non-residents lies in the banks' advantageous position in being able to match yen-dollar swaps, allowing conversion of the debt into US currency.

● Banque Exterieure d'Algerie is raising Y25bn ($150m) in the form of a loan on the Japanese domestic market. Long-Term Credit Bank of Japan is managing the $75m equivalent fixed-rate tranche for which the borrower is paying an interest rate of 0.1 per centage point above the Japanese long-term prime rate, the same as Credit Populaire d'Algerie paid for a similar credit arranged last February, reports Francis Ghiles.

Sumitomo Bank is arranging the floating-rate tranche of the latest loan.

FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market.

Closing prices on July 7

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

UK COMPANY NEWS

Costs hold back Electronic Rentals

PROFITS OF the Electronic Rentals Group were held back during 1985-86 by sharply higher depreciation and interest charges and by five months losses of recently acquired Telefusion.

However, the directors said yesterday that they believed the future prospects of the enlarged and more broadly-based group were encouraging.

Turnover for the past year (to March 31 1986) advanced from £197.2m to £254.19m and trading profits improved to £101.33m, an increase of 12 per cent over the previous year's £90.51m.

Pre-tax profits, however, worked through only 8.5 per cent higher at £16.47m (£15.17m) after taking account of depreciation of £72.18m (£63.37m), interest charges of £12.48m (£9.98m) and exceptional debits of £202,000 (£841,000). There were also exchange losses in 1984-85 amounting to £1.15m.

The loss at Telefusion totalled £2.7m. The directors said a divisional results analysis showed that if the group had not acquired Telefusion, pre-exceptional profits of the mainstream business would have been in the region of £31m.

They pointed out, however, that rationalisation of Telefusion was now very largely complete and that the benefits would flow through in the current year after absorbing increased interest charges and additional depreciation on the revaluation of rental assets.

The group, which takes in the Visionhire television and video rental company, acquired Telefusion late last year in a cash and shares deal worth some £23.6m.

The pre-tax results for 1985-1986 were in line with City estimates and by the close of business yesterday the group's shares were 1p down on the day at 60p.

Tax accounted for £6.8m, against a previous £5.88m, and basic earnings came through the same at 3.6p. Net cash flow amounted to 29.5p, up from last time's 27.3p.

A second interim dividend of 2.0655p makes a same-again total of 2.2322p net.

There were extraordinary credits of £423,000 (debits £1.42m) and £514,000 (£540,000) was allocated to the employee share scheme.

The increase in profits came mainly from UK rental—up from £19.33m to £24.2m. While overseas rental progressed well, overseas rental profits (£5.73m against £5.64m) showed only a marginal increase in local currency terms.

The directors said the outstanding features of the year were the purchases of the Carousel rental business from Dixons for £28m and Telefusion. They pointed out that Carousel had been successfully integrated with Visionhire and had significantly strengthened the group's position in the UK rental market.

Mr David Hurley, ERG's managing director

See Lex

Beecham sells two subsidiaries for £12m

By Charles Batchelor

Beecham, the pharmaceuticals and consumer products company, has sold one of its US subsidiaries, The Ace Comb Company, and its Australian soft drinks business for a total of £12m as part of its programme to dispose of non-core activities.

Although both businesses made an operating loss in the year ended March 1986 the sale price was higher than their net tangible assets.

They represented only a small part of Beecham's operations in the US and Australia.

Ace Comb was bought by Goody Products, which makes Goody hair care accessory products, Duray cosmetic and travel accessories and Opti-Ray sunglasses.

The Australian soft drinks business, including the Deep Spring range of mineral waters and the Pub range of sparkling squashes was bought by Amatil, a beverages group.

Beecham last month announced plans to dispose of its home improvements division, including the Unibond and Copydex brands, its Findlater, Mackie Todd wines and spirits business and Germaine Monteil, a US cosmetics business.

Closure costs help put Vinten £0.4 in the red

AFTER AN exceptional provision up from £814,000 to £1.51m in connection with the termination of a major loss-making contract Vinten Group, a photographic, film and television equipment and camera manufacturer, turned round from a profit of £2.49m to a £400,000 loss in the year ended March 31 1986.

Below the line there was also an extraordinary charge of £1.95m, making the attributable loss for the year £2.34m (profit £1.77m).

The directors said they remained optimistic about the future and considered that a final dividend should be paid, but kept to a modest level because of the current adverse cash flow position. The payment will be 0.525p (2.1p) for a net total of 1.575p (3.15p).

Exceptional and extraordinary provisions reflected the decision to withdraw from the video recorder contract and to restructure the military division including closure of the Perivale, West London, facility occupied by Vinten Avionic Systems.

The provision included the excess cost of running down the business at Perivale over the five months to the end of August, anticipated write-offs against fixed assets, redundancies and the transfer of other contracts and business to Bury St. Edmunds. The exceptional item included the £1m paid on April 1 to obtain release from the video recorder contract.

The directors said the figures reflected a major tidying up operation and they considered that the corner had been turned.

Much work needed to be done to handle the move to Bury St. Edmunds, but the directors said they were more confident about prospects for the military division as 90 per cent of budgeted sales for the current year was already covered in the order book.

The broadcast division was growing healthily with the benefit of new products. Management changes were made at Vinten Instruments and order position improved. Trading prospects for the other companies in the technology division were generally encouraging, while electro-optics was budgeting for a better performance.

The levels of turnover and trading profit in the second half were significantly less than was anticipated at the midway stage. Sales income was not able to be taken up by Vinten Avionics Systems on the video recorder contract.

Although the group was ungeared at March 31 1986, the impact of the events at Perivale had an inevitable effect on the balance sheet then, and on cash flow since. Shareholders' funds at end March declined to £10m (£13.9m) and net total borrowings were currently £2.6m but, after rising further, were expected to fall below that level by next April.

The 1985-86 year's turnover came to £29.6m (£29.39m) from which a trading profit of £1.36m (£3.46m) was earned.

A divisional split showed military £9.63m (£10.44m) and loss £52,000 (profit £1.14m), broadcast £5.39m (£5.67m) and £915,000 (£1.4m), electro-optics £7.69m (£7.32m) and £883,000 (£1.19m), technology £6.89m (£5.96m) and £61,000 (£164,000). Parent company expenses totalled £427,000 (£438,000).

● comment

The appalling write-offs incurred by Vinten's military division were well signposted but appear to have distracted attention from the fact that all the other three divisions had been quietly bleeding away too: so although the City had grown accustomed to disappointments from the company, this time Vinten surpassed itself in its ability to shock by turning in a pre-tax loss against the £2m of profits which had been widely expected. Vinten is now trying to put over the message that it has started the current year with a clean sheet, fat order books, and a chastened but firm hand on the tiller. Perhaps it has, and the absence of above-the-line provisions alone would make £3m pre-tax easy enough to achieve. Yet with the company's credibility in tatters, the shares seem to be taking an overly rosy view of the outlook: down 9p at 127p, they put the company on a prospective p/e ratio of 11. The reason of course, is that they are buoyed by bid speculation. If all the nasties really are out of the woodshed now, the market's view is that a bid cannot be far away.

DRG to save on pension contributions

By Charles Batchelor

DRG, the stationery and packaging group, will make an annual saving of about £2m on its pension contributions over the next five years.

It plans to spend the money saved on its UK capital investment programme. The trustees of the pension fund have said the reduced contribution could be supported for five years but it will be reviewed after two years.

DRG plans also to improve the position of pensioners worst affected by inflation during the 1970s and additional benefits will be provided for existing employee members.

The company announced it had completed the purchase from Hercules Corporation of the US of its rigid plastics thermoforming operating for $10.5m cash.

DRG has also completed the sale to Mead Packaging International of its multiple packaging operation for £1.4m cash. Discussions about the sale of the main Bristol carton business are continuing with other parties.

Burnett £75,000 to former chief

Burnett & Hallamshire, the loss-making mining group, yesterday revealed it had made a £75,000 payment to its former chairman Mr Eric Grayson, "in respect of damages for premature determination (sic) of his service agreement."

Burnett, which last month announced a £17m pre-tax loss in the year ended March 1986, revealed the payment in its annual report and accounts.

Mr Grayson became chairman at the end of 1983 and attempted to resolve the problems resulting from the group's over ambitious expansion. But the difficulties increased and a capital reconstruction was needed last December to save the company from receivership. Anglo United Development Corporation pulled out of merger talks last month when it saw Burnett's latest results.

Stirling boosts profits by 35%

Stirling Group, the Manchester-based clothing manufacturer which supplies Marks and Spencer, lifted pre-tax profits by 35 per cent from £1.76m to £2.38m for the year ended March 31, 1986. Sales rose 32 per cent to £26.13m, against £19.86m.

In line with the company's intention of reducing its existing high dividend cover, the final dividend is raised to 1p (0.65p) making a net total 52 per cent higher at 1.6p (1.05p). Earnings per 20p share climbed from 7.8p to 11.35p.

The directors said that higher sales had been achieved by concentration on related garments and casualwear, which appealed to the majority of Marks and Spencer's customers.

The group's concern with productivity had enabled it to control costs which was reflected in a slight increase in margins from 8.88 per cent to 9.09 per cent.

The company's short lines of communication helped it to remain flexible in production, they added.

The merger and integration of B. Forster had been successful. The financial position remained strong with nil gearing and the current order book was satisfactory.

Tax charge was £617,000 (£624,000) giving net profits ahead at £1.76m, against £1.14m.

● comment

A company which depends on one customer for 90 per cent of its turnover may seem a questionable proposition but when that customer is Marks and Spencer, doubts are, at least, somewhat allayed. Having recently bought B. Forster, suppliers of dressing gowns, swim wear and lingerie to M&S, Stirling remains confident it can expand by supplying more to St Michael, and a men's clothing manufacturer is an acquisition possibility. On the basis of the last quarter, in which it added £210,000, Forster should make a tion this year which, added on to an underlying growth rate of around 15 per cent, would give full year profits of £3.25m. The tax charge will edge up from this year's 28 per cent but that still leaves the shares at 122p on a prospective p/e of 10. That compares well with fellow M&S suppliers such as I J Dewhurst, which is on a historic p/e of 20.4.

Meadow Farm will not match Hillsdown bid

Meadow Farm Produce, a USM quoted wholesale meat supplier, has decided not to increase its offer for North Devon Meat, the farmers's co-op which has agreed a much higher rival bid from Hillsdown Holdings, the acquisitive food and furniture company.

Hillsdown last week lifted its terms to 135p per North Devon share — 85 per cent higher than the original Meadow Farm offer which had gained the recommendation of the North Devon board. Meadow Farm said yesterday that it did not consider it wise to match the Hillsdown bid, and was withdrawing its offer.

Instead Meadow Farm has decided on a policy of expansion which it says has been enhanced by the publicity surrounding the North Devon offer. "This has already brought approaches from other abattoirs and secured introductions from a number of important new customers."

The proposed £11.2m rights issue would be used to take "full and speedy advantage" of its expansion plans, said the Meadow Farm directors.

Westgarth disposal

Richardsons Westgarth has sold the assets and business of its wholly-owned subsidiary, R. W. Offshore Services, supplier of tools to the offshore industry in Aberdeen. The fixed assets, stock and goodwill have been sold for approximately £170,000, representing a loss of about £100,000 on their book value.

Proceeds will be used to reduce Richardsons' bank indebtedness.

Parker Knoll in £1.5m furniture deal

BY TERRY GARRETT

Parker Knoll, furniture and textile group, is buying a private reproduction furniture company making trading profits of almost £300,000 a year for a net cash consideration of around £700,000.

Parker is paying £1.475m for the family business of E. Lock, currently managed by Mr Bert Lock, the 92-year-old grandson of the founder, which specialises in Tudor reproduction furniture. However, Lock's £1.29m of net assets include around £800,000 of cash.

In the last financial year the east London-based Lock produced a trading profit of £297,000 on sales of £2.73m before crediting £85,000 interest received on its cash.

A considerable amount of the furniture sold by Lock, perhaps as much as 70 per cent, is imported from Eastern Bloc countries such as Romania.

Mr Lock, who has been running the company since just after the First World War will continue as president of 'Lock of London' although the day to day management will be taken by Mr D. Baskerville of Parker and Mr Horace Northcott who has been with Lock since 1948.

Although Parker's latest purchase comes in the furniture sector, Mr Martin Jourdan, chairman, remains wedded to the concept of expanding the textile business by acquisition. He had been talking to Mr Lock for eight years before the deal was agreed.

Mr Jourdan said earlier in the year that he hoped to expand the textile division overseas by acquisition. An ideal fit would be a GP & J. Baker look-alike in the US. Baker, and Parkertex Fabrics, are Parker's two textile design and merchanting companies which last year increased their trading profits by 78 per cent to £2.17m out of a group total of £3.67m.

The company's 'A' shares held steady at 438p yesterday, having outperformed the market by almost 90 per cent in the last 12 months.

Goode Durrant share stake changes hands

The shares of Goode Durrant & Murray, the international trade finance group, leaped 27p to 102p yesterday after Impala Pacific Corporation of Hong Kong bought the 20.8 per cent stake in its shares previously held by the United Kingdom Temperance and General Provident Institution.

Impala is part of Ariadne Australia, a diversified group headed by Mr Bruce Judge, a former associate of Mr Ron Brierley, the Antipodean entrepreneur.

Goode reported a drop in pre-tax profits to £2.24m in the year ended October 1985 from £2.57m, though there was an extraordinary profit of £6.18m from the sale of a New Zealand subsidiary.

Lex £4.6m sale

Lex Service, the motor distribution group, has sold its Carpet Express subsidiary to that company's management for £4.6m cash in a move which completes the divestment of Lex's transport interests.

Carpet Express made an operating profit of £700,00 on sales of £9.8m last year. Net book value of the assets being sold was £337,000.

Carlco improves and boosts payment 25%

A FINAL dividend of 11p from Carclo Engineering Group has lifted the total to 15p net for the year ended March 31 1986. At least 12.5p was forecast, compared with 12p paid last time.

Profit before tax rose 7 per cent, from £3.59m to £3.85m, and the directors said this was satisfactory taking into account the sale for £3.8m of both of the company's 57 per cent interest in the Indian Card Clothing Company and the Belgian Card Clothing Company.

Turnover showed little change at £36.6m (£37.3m) and the operating profit was £4.16m (£4.08m). Interest payable moved up to £1.03m (£786,000) but the increase was more than offset by other income of £714,000 (£294,000).

The financial position strengthened further with net borrowings at 9.3 per cent of shareholders' funds of £13.3m, compared with 22 per cent of £11.8m.

A break-up of the pre-tax profit showed card clothing £1.91m (£1.4m), wire £1.17m (£1.46m), general engineering £1.05m (£378,000), discontinued activities nil (£805,000), net interest receivable £128,000 (payable £88,000), less central administration charges £402,000 (£368,000).

Tax took £1.52m (£1.44m) and minorities nil (£96,000), leaving earnings of 41.7p (44.9p) actual and 39.2p (34.3p) fully diluted.

● comment

In the last year or so Carlco—having hauled itself out of the doldrums of the early 1980s and restored its balance sheet by the Indian disposal—has finally succeeded in persuading the City to perceive it as a niche, rather than a workaday engineering company. The share price has risen accordingly and, on the announcement of these results, yesterday rose again by 20p to 405p. After years of rationalisation and restructuring Carlco has established a sound business base from which to develop its niche markets. Given that margins in the UK are already so high and that it operates in mature markets—cars, engineering and textiles—there is little scope for sparkling growth from domestic divisions. There is potential for margin improvement in France and Holland, however, where the company is still in the throes of restructuring. But the pace of future growth will be determined by the nature of the next acquisition. After the Indian disposal Carlco has the cash and credit available to make a sizeable purchase and is now waiting for the right sort of engineering company to present itself. The City expects profits of £4.1m for the current year producing a prospective p/e of 8 which, notwithstanding the increases of recent months, suggests that share price has further to go.

£260,000 pay rise for Mercury chief

By David Lascelles

Mr David Scholey, chairman of Mercury Securities, parent of the S. G. Warburg merchant banking group, more than doubled his remuneration last year to £478,000. In the previous year he earned £218,000. The figures were revealed in the company's annual report for the year ending March 31 1986.

Mr Scholey's package consisted of £140,000 in basic pay plus two performance related payments of £77,000 and £261,000.

The report also showed that five directors earned more than £270,000, compared to none the year before.

The performance related pay was made under an incentive bonus scheme started in 1982 which enables 86 participants to benefit from a sustained upward movement in the Mercury share price. During the year, Mercury's shares more than doubled in value.

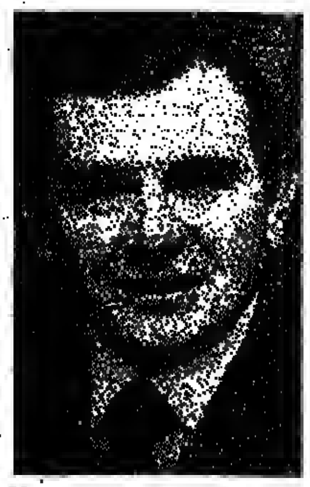
UK COMPANY NEWS

Heron up 24% thanks to financial services leap

Heron International, the larga private company headed by Mr Gerald Ronson, yesterday reported a 24 per cent rise in pre-tax profits to £40.3m, with the increase coming almost entirely in the group's expanding financial services operations. Group sale at £1.09bn topped the billion mark for the first time.

Mr Ronson sounded a cautious note on the group's acquisition plans. "Bearing in mind the current high levels of both the UK and US stock markets, and that we are casb purchasers, lt is not easy for us to make acquisitions," he said, but added that Heron would be ready for any oportunities that should arise in the next 18 months to two years.

In the year to March 31 1986 by far the most profitable of the group's activities was financial services, which lifted profits from £20.5m to £25m on turnover of £666.4m (£452m). This rise offset flet performances in property (where profits fell by £0.2m to £16m) and commerce (which rose only £0.5m to £9.9m).



Mr Gerald Ronson, chairman of Heron International

Mr Ronson said that within the financial division, Pima Savings, based in Arizona, bad benefited substantially from its location in one of the most dynamic growtb areas in the US and from the dedicated team built up over the last two years. Profits increased by 31 per cent to $27.2m.

The National Insurance and Guarantee Corporation has already reported an 11 per cent increase in profits of £8.2m, "continuing its unbroken profits growth since we took control of the business some ten years ago," said Mr Ronson.

"NIG bas consistently performed well ebove the norm for the industry and I look forward to very strong results for the next two to three years as the motor insurance industry emerges from e difficult period of over-capacity."

Within property, the completed portfolio stands at £288m, producing net rental of £17.4m.

Reporting increased activity on the European front, Mr Ronson pointed to major developments in Barcelona and Geneva and to successful property purchases in Paris.

"In Britain, we have made good progress over the broad cross-section of our activities: property investment, property trading and residential development. Work has started on £80m of town centre schemes in Southampton, Walthamstow and Sunderland."

In mid-town New York, Pima is developing the Heron Tower, a 30-storey 150,000 sq ft office building costing $55m. It is due to open in September.

In the commerce division, which includes housebuilding, car sales and video cassette wholesaling, the bomes side reported a 28 per cent increase in profits. Mr Ronson said that Lancia car sales were improving, and that Relay was now the largest Independent wholesaler of pre-recorded video cassettes in the UK. The joint venture with Polygram, Channel 5, had made good progress since its launch last February.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims: Fleming Overseas Investment Trust, Granada.

Finals: British Building and Engineering Appliances, Hogg Robinson, Stroud Riley Drummond, R. W. Toothill.

FUTURE DATES

Interims:	
Bensons Crisps	July 22
Dew (George)	July 14
Gestetner	July 17
Hill and Smith	July 24
IMI	Sept 2
Ladies Pride	July 24
Finals:	
BTS	July 24
Brasway	July 16
Brengreen	July 15
Israel (Jack L.)	July 15
Mid Wynd International Investment Trust	July 31

DIVIDENDS ANNOUNCED

	Current Payment	Date pf payment	Corresponding div.	Total for year	Total last year
Carelo Engng.	11	Sept 5	8.5	15	12
County Properties int.	1.7	Sept 30	1.25	—	3.5
Elect. Rentals 2nd lnt.	†2.07	July 31	2.07	3.23	3.23
FII‡ int	¶1.5	July 31	1.36	—	4.62
Glass Glover int	1.76	Sept 30	1.6	—	3.9
LPA Industries‡ int	1.4	Aug 8	*1.17	—	*2.5
Platon Intl.	2.15	Aug 29	1.87	3.08	2.8
Stirling Gronp†	1	Oct 13	0.65	1.6	1.05
Vinten	0.53	Oct 1	2.1	1.58	3.15

Dividends shown in pence per share except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Irish pence throughout.

Blue Arrow director resigns

Mr Brian Kingham, a director of Blne Arrow for the past 12 months, has resigned and sold his 6 per cent shareholding in the USM-quoted group which embraces office contract cleaning and staff recruitment.

Mr Kingham is the former owner of Reliance Service Group acquired by Blue Arrow last year for £7.7m. The 1.45m Blue Arrow shares controlled by Mr Kingham have been placed by the company's brokers Phillips and Drew with six Scottish and English institutions.

Mr Tony Berry, Blue Arrow's chairman and chief execntive, described Mr Kingham's departure es amicable and said be would not receive a severance payment. Mr Kingham retains e consultancy role to Reliance and is to devote more time to his private business interests.

THF may buy Imps catering activities

By Lionel Barber

Trusthouse Forte, the catering and hotels group, said yesterday that it was considering buying a block of restaurant and hotel businesses acquired by Hanson Trust in its £2.8bn takeover of Imperial Gronp.

Official confirmation came a day after Mr Dennis Hearn, Trusthouse's deputy chief executive, had denied that the group had talked to Hanson, or that a purchase by Trusthouse was imminent.

Trusthouse said in a statement that nothing had been concluded in its discussions with Hanson. The former Imperial businesses in question are tbe Happy Eater cbain of roadside restaurants, Anchor Hotels, Welcome Break motorway services areas and managed taverns. Market analysts have valued the businesses at around £200m.

Last week, Trusthouse announced lower interim pre-tax profits of £36.1m for the balf year to April 1986. This compared with £39.2m for the previous half year.

The Imperial restaurant business — including 61 Happy Eaters — would fit in with Trusthouse's 250 Little Cbefs. Trusthouse also operates a number of motorway services areas, though the 1,300 pubs would represent a new venture.

Mr Martin Taylor, a director of Hanson Trust said he had nothing to add to Trusthouse's statement.

The likely disposal of Imperial's catering activities is part of Hanson's policy of spinning off acquired assets whicb are not considered essential to the industrial conglomerate's future business. This has been particularly marked in last year's $927m (£618m) purchase of SCM Corporetion, the US chemicals and typewriter business, where disposals have run into several hundred million dollars.

The likely disposal of Imperial's catering activities is part of e Hanson review of its major UK acquisition completed this spring. Market speculation also centres on the future of Imperial's Courage hrewing interests.

UK COMPANY NEWS

Glass Glover on target despite high finance costs

DESPITE A steep rise in borrowing costs associated with its investment programme, profit of the Glass Glover Group for the half year ended March 31 1986 was in line with the board's expectations.

With the inclusion of an acquisition, this food distributor, importer and grower of fresh fruit and vegetables, lifted its turnover from £30.97m to £52.75m; but its pre-tax profit fell from an adjusted £863,000 to £778,000.

Trading profit was up from £1.12m to £1.31m, but overdraft, loan interest and finance charges on leased assets, less interest on deposits, more than doubled to £534,000.

The directors said current turnover levels continued to exceed those of last year. The initial benefits arising from earlier investments were expected to materialise in the final quarter.

Furthermore, although a substantial part of the proceeds of the recent £10m convertible preference share issue had already been applied towards ongoing developments, there should be some reduction in the cost of borrowing during the second half.

Accordingly, pre-tax profit for the current half should comfortably exceed that of the comparable period of 1985.

Reflecting the benefits of capital allowances the tax charge for the half year was under 20 per cent and would continue at that rate. The charge was £147,000 (£235,000) which left the net profit at £631,000 (£628,000).

This gave earnings of 4.7p (5.61p). The interim dividend is stepped up to 1.76p (1.6p) net per share.

● comment

This is wait-and-see year for Glass Glover. Nobody was expecting anything spectacular in yesterday's figures, and sure enough, the moderate increase in trading profits was more than outweighed by the heavy rise in interest charges with consequent damage at the pre-tax level. The results of the company's heavy investment in developing new distribution complexes will only become apparent towards the end of the second half, suggesting around £2.2m after interest charge savings from the March preference share issue. With the shares up 5p at 218p, the prospective p/e ratio after a 20 per cent tax charge is a fairly fruity 20. The market is pricing the shares on the view that profits will take off next year, but eveo with £3.2m in sight they look well up with the sector on a multiple of 15. Given South Africa's position as a major supplier to the company, cantion seems appropriate pending the outcome of the current manoeuvrings over sanctions.

Acquisitions boost Platon to £0.63m

Platon International reaped the benefits of acquisitions during 1985-86 and for the 12 months saw its profits rise from £440,000 to £629,000 at the pre-tax level.

Furthermore, the directors said they were optimistic of significant growth across the group in the current year.

They pointed out that the year had started with a record order book and that the group's product range had been widely extended.

The USM group manufactures flow and pressure measuring instruments. The acquisition of Dicall Electronics last July added defence industries to its customer base.

The Platon A & I offshoot was successful in obtaining new contracts and a further substantial improvement was being looked for by the directors.

In all, they were looking for a steady reduction in short-term borrowings (interest accounted for £281,000, against £49,000 in 1985-86), a resurgence at K & N Electronics with new products supported by new sales activiteis, and benefits from the Platon Flow Control subsidiary's move to new premises last year.

Group turnover for the past year (to April 4 1986) advanced from £3.52m to £7.5m. Trading profits pushed ahead by £421,000 to £910,000. The figures reflected the benefits of the acquisitions of Dicoll and K & N for only nine months.

Earnings improved by 2.8p to 15p and a final dividend of 2.15p raises the total from 2.8p to 3.08p net per 25p share.

LCB profits advance to £4m

London & Continental Bankers, the international merchant and investment bank, raised pre-tax profits by 15 per cent from £3.5m to £4.01m for the year ended March 31, 1986.

Net profits were up 7 per cent from £2.14m to £2.3m after tax of £1.71m (£1.36m).

The directors said that as well as strengthening the group's existing areas, the improved performance stemmed from a number of new services and operations introduced in the latter part of the year.

They reported that the New York agency, established in April 1986, was already serving to extend and intensify the group's business development in North America.

LCB Consultants had heen set up to offer strategie consultancy services. It was building on the group's existing strategie consultancy work through Agribusiness Associates in the US, and had already gained important new business in North merica and Europe.

The group had purchased two seats on LIFFE, to expand the hank's treasury operations. This would also help the development of financial futures and hedging instruments for the benefit of its financial and non-financial clients.

A venture capital management company was also being established.

LCB is owned by 13 European and North American co-operative central hanks, principally Credit Agricole and DG Bank.

● Celtic Bank, an independent merchant bank based in the Isle of Man, hoisted pre-tax profits to a record £1.17m (£582,380) in 1985-86 and after-tax earnings to £951,086 (£582,088). Year end satisfactory appraisal of the loan book resulted in £382,403 being transferred hack to profits.

FII moves ahead

FII, the Dublin-based fruit and vegetable merchant, increased its pre-tax profits from I£1.33m to I£1.69m in the six months to April 30 1086, and the interim dividend is raised from 1.36p to 1.5p net—last year a total of 4.62p was paid from profits of £3.96m. Stated earnings per 5p share improved from 4.35p to 5.03p.

Turnover of this USM company was up from £33.77m to £45.39m. Tax was higher at £625,000 compared with £533,000, and there were minorities of £160,000 (£55,000).

The directors said the group had a good trading performance during the first half; and sales and volumes continued to grow. The agreement to purchase Fyffes Group for £26.5m was approved at yesterday's extraordinary meeting.

LEADING LEISURE has taken a controlling interest in a new company which has acquired Shanklin Pier on the Isle of Wight. The Victorian pier is to be given a new lease of life with the new owners planning to create a major leisure complex The previous owner, Mr Fred Sage, retains a substantial stake in the venture.

UK COMPANY NEWS

Securiguard lower but full year rise expected

Securiguard Group, the USM security services and office and industrial cleaning concern, returned lower pre-tax profits of £359,000 for the half year to April 27, 1986, compared with £554,000 last time.

The result, however, compared with £161,000 in the second half of last year and the directors said they expected this improving trend to continue. Profits in the current six months were expected to exceed those for the first half indicating a full year figure of not less than £719,000 (£715,000).

Turnover for the first half rose by over £1m to £10.78m. Trading profits were £403,000 (£554,000) before charging an exceptional item of £44,000 for the costs relating to the reorganisation and restructuring of the group's security division.

The security side returned to a strong rate of growth, following further re-organisation and restructuring, which included the losses arising from the disposal of the Cash in Transit division, shown as an extraordinary charge of £89,000.

The directors said the sales team had won a number of contracts during the period. These included a major manned guarding contract for the Ministry of Defence, a contract for the design and installation of a sea front surveillance system for Bournemouth Borough Council and a manned guarding contract for the nuclear research industry, with a sales value in excess of £1m over three years.

The cleaning division had maintained a steady performance with profits slightly ahead of the previous year. The group's new businesses, providing international courier and despatch services, building services, maintenance and a City messenger operation, were all expanding more rapidly than anticipated.

These businesses together with further controlled diversifications, organic growth and a return to acquisitions, would build a sound base of businesses which the directors expected to contribute significantly to profit growth in future years.

Stated half-year earnings per 5p share were 3.3p, against 4.6p, after a tax charge of £132,000 (£233,000). The company does not pay interim dividends—last year's single final was 2.7p net.

● comment

The market has shown some inclination to forgive Securiguard for last year's disappointing performance. Although the shares have underperformed the All-Share by almost 50 per cent on a one-year view, over the last three months the price has outpaced the market by 17 per cent after yesterday's 6p rise to 93p. Although the profits line is still hung-over with £44,000 of exceptional items representing the final reorganisation of security after the Consolidated acquisition, the numbers are up to some cautiously pitched City forecasts. The full year should produce £1m pre-tax and given the way contracts are flowing on both cleaning and security £1½m seems a sensible base line for 1986-87. So the prospective p/e drops through 10 towards 7 for next year. The price should continue its recent recovery, allowing Securiguard to once again use its paper for acquisition—but another disappointment would be worse than careless.

McLeod shortfall hits County Properties

A SHARP fall in the contribution from its related company, McLeod Russel, left County Properties Group with lower pre-tax figures of £2.93m for the six months to March 31 1986, compared with £4.08m last time.

The group's share of profits arising from its 39.78 per cent stake in McLeod Russel, a trading property and plantations company, was down from £3.84m to £2.52m. Group pre-interest profits however, increased from £502,000 to £555,000.

The directors said there was a good performance from the group's property activities, which showed a growth in earnings per share from 1.5p to 2.4p. The net income from these activities now substantially exceeded the dividend income received from the McLeod Russel investment. Overall earnings per 10p "B" share came out at 13.1p (17.2p).

In view of the good progress achieved by the group's property activities and in order to adopt a dividend policy more in line with companies in that sector, the directors have raised the interim dividend to 1.7p (1.25p) net.

The dividend cost will be £173,000 (£121,000) attributed as £61,000 (£21,000) paid from property profits and £112,000 (£100,000) dividends receivable from McLeod Russel.

The directors said the property development programme continued to expand in geographical area, number and value of projects. Property development profits increased to £234,000 (£177,000), on turnover of £3.28m (£1.37m).

The directors said they were confident that 1986 would again produce a record performance from property activities and that overall results would be satisfactory.

Investment rents receivable for the first half were lower at £321,000 (£425,000). Interest took £147,000 (£267,000), tax charge was £1.54m (£2.33m) and net attributable profits emerged at £1.29m, against £1.72m.

The directors reported that the group had received attractive offers for its retail property investments at Whitby and Redcar, both of which had been contracted for sale at figures above book value. Completions were expected to occur during the current six months.

GOLD FIELDS OF SOUTH AFRICA LIMITED

Group Gold Mining Companies' Reports for the quarter ended 30 June 1986

All companies are incorporated in the Republic of South Africa

DRIEFONTEIN CONSOLIDATED

Driefontein Consolidated Limited
(Registration No. 68/04880/06)

ISSUED CAPITAL: 102 000 000 shares of R1 each, fully paid.

	Quarter ended 30 June 1986	Quarter ended 31 March 1986	Year ended 30 June 1986
OPERATING RESULTS			
Gold – East Driefontein			
Ore milled (t)	705 000	705 000	2 820 000
Gold produced (kg)	6 550,4	6 627,0	26 196,4
Yield (g/t)	9,3	9,4	9,3
Price received (R/kg)	24 079	24 877	24 660
Revenue (R/t milled)	224,08	234,20	229,47
Cost (R/t milled)	86,62	79,36	79,27
Profit (R/t milled)	137,46	154,84	150,20
Revenue (R000)	157 979	165 108	647 105
Cost (R000)	61 072	55 945	223 551
Profit (R000)	96 907	109 163	423 554
Gold – West Driefontein			
Ore milled (t)	720 000	720 000	2 880 000
Gold produced (kg)	8 136,8	8 208,0	34 104,0
Yield (g/t)	11,3	11,4	11,8
Price received (R/kg)	24 074	24 710	24 577
Revenue (R/t milled)	272,46	282,26	291,59
Cost (R/t milled)	96,34	90,66	89,34
Profit (R/t milled)	176,12	191,60	202,25
Revenue (R000)	196 174	203 228	839 775
Cost (R000)	69 367	65 275	257 285
Profit (R000)	126 807	137 953	582 490
Uranium Oxide			
Pulp treated (t)	223 360	186 020	793 050
Oxide produced (kg)	22 313	16 666	85 922
Yield (kg/t)	0,100	0,100	0,108
FINANCIAL RESULTS (R000)			
Working profit: Gold	223 714	247 116	1 006 044
Recovery under loss of profits insurance	—	—	54
Profit on sale of Uranium Oxide and Sulphuric Acid	1 671	1 984	8 014
Net tribute royalties and sundry mining revenue	2 159	2 217	5 702
Net mining revenue	227 544	251 317	1 019 814
Net non-mining revenue (group)	23 381	25 818	101 776
Profit before tax and State's share of profit	250 925	277 135	1 121 590
Tax and State's share of profit	141 192	161 661	663 479
Profit after tax and State's share of profit	109 733	115 474	458 111
Capital expenditure	38 330	36 931	141 303
Dividend	193 800	—	341 700
Loan levy refund (1979)	—	—	35 094

CAPITAL EXPENDITURE. The unexpended balance of authorised capital expenditure at 30 June 1986 was R609,4 million.

DIVIDEND. A dividend (No. 26) of 190 cents per share was declared on 10 June 1986, payable to members on or about 8 August 1986.

SHAFTS

EAST DRIEFONTEIN

No. 4 Shaft-E. The equipping of the shaft is in progress.

No. 5 Sub-Vertical Shaft-E. The headgear changeover for full scale sinking is in progress. The excavation of the west man-winder chamber has commenced.

WEST DRIEFONTEIN

No. 2 Tertiary Shaft-W. The equipping of this shaft is approaching completion.

No. 7 Shaft-W. The shaft was sunk 171 metres to a depth of 1 505 metres below collar. The excavation and support of 18 and 19 Level stations was completed.

No. 8 Shaft-W. The shaft was sunk 114 metres to a depth of 720 metres below collar. The excavation and support of 2 Level station was completed.

ORE RESERVES AT 30 JUNE 1986. The detailed ore reserves will be published in the annual report. At the prevailing pay limits the reserves are as follows:

East Driefontein (Pay limit 4,3 g/t).

Classification	Tons (000)	STOPE Width (cm)	STOPE Value (g/t)	STOPE cm.g/t
Ventersdorp Contact Reef	4 082	172	18,2	3 130
Carbon Leader	2 038	164	9,3	1 525
Main Reef	1 235	146	5,5	803
Total and averages	7 355	165	13,6	2 244

West Driefontein (Pay limit 5,2 g/t).

Classification	Tons (000)	STOPE Width (cm)	STOPE Value (g/t)	STOPE cm.g/t
Carbon Leader	2 997	114	24,3	2 770
Ventersdorp Contact Reef	2 660	176	10,5	1 848
Main Reef	2 118	121	8,3	1 004
Total and averages	7 775	132	15,2	2 006

On behalf of the board
R. A. Plumbridge, C. T. Fenton } *Directors*

7 July 1986

DOORNFONTEIN

Doornfontein Gold Mining Company Limited
(Registration No. 05/24709/06)

ISSUED CAPITAL: 10 000 000 shares of R1 each, fully paid.

	Quarter ended 30 June 1986	Quarter ended 31 March 1986	Year ended 30 June 1986
OPERATING RESULTS			
Gold			
Ore milled (t)	366 000	366 000	1 464 000
Gold produced (kg)	2 195,2	2 220,4	9 050,4
Yield (g/t)	6,0	6,1	6,2
Price received (R/kg)	23 722	24 749	24 438
Revenue (R/t milled)	142,48	150,39	151,32
Cost (R/t milled)	104,43	99,66	96,61
Profit (R/t milled)	38,05	50,73	54,71
Revenue (R000)	52 147	55 044	221 530
Cost (R000)	38 220	36 476	141 430
Profit (R000)	13 927	18 568	80 100
FINANCIAL RESULTS (R000)			
Working profit: Gold	13 927	18 568	80 100
Net sundry revenue	3 447	3 592	14 226
Profit before tax and State's share of profit	17 374	22 160	94 326
Tax and State's share of profit	(5 661)	7 782	20 288
Profit after tax and State's share of profit	23 035	14 378	74 038
Capital expenditure	20 067	7 458	48 104
Dividend	14 500	—	25 500
Loan levy refund (1978)	—	—	1 361

CAPITAL EXPENDITURE. The unexpended balance of authorised capital expenditure at 30 June 1986 was R134,2 million.

DIVIDEND. A dividend (No. 59) of 145 cents per share was declared on 10 June 1986, payable to members on or about 6 August 1986.

No. 3 SUB-VERTICAL SHAFT. The shaft was sunk 85 metres to a depth of 1 222 metres below collar. 41 Level station cutting was completed.

ORE RESERVES AT 30 JUNE 1986. The detailed ore reserves will be published in the annual report. At the prevailing pay limit of 5,3 grams per ton the reserves are as follows:

Classification	Tons	STOPE Width (cm)	STOPE Value (g/t)	STOPE cm.g/t
Carbon Leader	2 891 600	111	10,3	1 143
Main Reef	3 112 900	119	6,8	802
Total and averages	6 004 500	115	8,5	978

On behalf of the board
C. T. Fenton, A. J. Wright } *Directors*

7 July 1986

DEELKRAAL

Deelkraal Gold Mining Company Limited
(Registration No. 74/00160/06)

ISSUED CAPITAL: 99 540 000 shares of 20 cents each, fully paid.

	Quarter ended 30 June 1986	Quarter ended 31 March 1986	Year ended 30 June 1986
OPERATING RESULTS			
Gold			
Ore milled (t)	376 000	375 000	1 500 000
Gold produced (kg)	1 912,0	1 912,5	7 486,0
Yield (g/t)	5,1	5,1	5,0
Price received (R/kg)	23 035	25 495	24 408
Revenue (R/t milled)	117,69	130,46	122,09
Cost (R/t milled)	77,63	74,08	73,68
Profit (R/t milled)	40,06	56,38	48,41
Revenue (R000)	44 134	48 921	183 129
Cost (R000)	29 112	27 779	110 519
Profit (R000)	10 022	21 142	72 610
FINANCIAL RESULTS (R000)			
Working profit: Gold	15 022	21 142	72 610
Net sundry revenue	3 196	2 908	11 060
Total profit	19 217	24 050	83 670
Capital expenditure	10 276	4 037	26 305
Dividend	34 839	—	54 747
Loan levy refund (1979)	—	—	100

CAPITAL EXPENDITURE. The unexpended balance of authorised capital expenditure at 30 June 1986 was R146,2 million.

DIVIDEND. A dividend (No. 7) of 35 cents per share was declared on 10 June 1986, payable to members on or about 9 August 1986.

No. 1 SUB-VERTICAL SHAFT. The shaft has been commissioned.

ORE RESERVES AT 30 JUNE 1986. The detailed ore reserves will be published in the annual report. At the prevailing pay limit of 4,1 grams per ton the reserves are as follows:

Classification	Tons	STOPE Width (cm)	STOPE Value (g/t)	STOPE cm.g/t
Ventersdorp Contact Reef	3 705 800	147	7,3	1 073
Deelkraal Reef	538 700	187	5,0	935
Total and averages	4 244 500	151	7,0	1 057

On behalf of the board
C. T. Fenton, A. J. Wright } *Directors*

7 July 1986

KLOOF

Kloof Gold Mining Company Limited
(Registration No. 64/04462/06)

ISSUED CAPITAL: 120 960 000 shares of 25 cents each, fully paid.

	Quarter ended 30 June 1986	Quarter ended 31 March 1986	Year ended 30 June 1986
OPERATING RESULTS			
Gold			
Ore milled (t)	540 000	540 000	2 160 000
Gold produced (kg)	7 023,0	7 020,0	29 091,0
Yield (g/t)	13,0	13,0	13,5
Price received (R/kg)	23 342	25 621	24 451
Revenue (R/t milled)	304,17	333,86	330,08
Cost (R/t milled)	107,18	98,76	98,88
Profit (R/t milled)	196,99	235,10	231,20
Revenue (R000)	164 252	180 282	712 967
Cost (R000)	57 878	53 330	213 572
Profit (R000)	106 374	126 952	499 395
FINANCIAL RESULTS (R000)			
Working profit: Gold	106 374	126 952	499 395
Net sundry revenue	11 542	13 259	49 189
Profit before tax and State's share of profit	117 916	140 211	548 584
Tax and State's share of profit	39 965	71 902	269 854
Profit after tax and State's share of profit	77 951	68 309	278 730
Capital expenditure	56 170	32 689	145 974
Dividend	84 672	—	151 200
Loan levy refund (1979)	—	—	6 881
Issue of debentures	—	8 175	19 075

CAPITAL EXPENDITURE.
(a) The unexpended balance of authorised capital expenditure at 30 June 1986 was R677,8 million.
(b) Included in the total of capital expenditure for the year ended 30 June 1986 is an amount of R67,3 million in respect of Leeudoorn.

DIVIDEND. A dividend (No. 33) of 70 cents per share was declared on 10 June 1986, payable to members on or about 9 August 1986.

DEBENTURES. A further call of R2 per debenture was made on the holders of the partly paid Unsecured Convertible Debentures and became payable on 1 July 1986.

SHAFTS

Kloof

No. 4 Shaft-K. The shaft was sunk 104 metres to a depth of 1 800 metres below collar. 21 Level station has been established and a holing was effected with development established from No. 1 Shaft-K.

No. 5A and 5B Auxiliary Shafts-K. Shaft equipping has been completed and ancillary work prior to commissioning is in progress in both shafts.

Leeudoorn

No. 1 Shaft-L. Preliminary sinking has reached a depth of 97 metres below collar. Both the stage winder and kibble winder have been installed and are about to be commissioned.

No. 1 Ventilation Shaft-L. The shaft was sunk 56 metres to a depth of 909 metres below collar. Sinking operations have been hampered by the intersection of water-bearing fissures.

ORE RESERVES AT 30 JUNE 1986. The detailed ore reserves will be published in the annual report. At the prevailing pay limit of 5,5 grams per ton the reserves are as follows:

Classification	Tons	STOPE Width (cm)	STOPE Value (g/t)	STOPE cm.g/t
Ventersdorp Contact Reef	5 682 500	146	20,2	2 949
Kloof Reef	556 200	176	9,9	1 742
Libanon Reef	110 800	157	7,5	1 178
Total and averages	6 349 500	149	19,0	2 831

On behalf of the board
C. T. Fenton, A. J. Wright } *Directors*

7 July 1986

VLAKFONTEIN

Vlakfontein Gold Mining Company Limited
(Registration No. 05/06155/06)

ISSUED CAPITAL: 6 000 000 shares of 20 cents each, fully paid.

	Quarter ended 30 June 1986	Quarter ended 31 March 1986	Year ended 30 June 1986
OPERATING RESULTS			
Gold			
Ore milled:			
from surface dumps (t)	71 939	30 705	196 767
from outside sources (t)	138 061	179 295	643 233
Total milled (t)	210 000	210 000	840 000
Gold produced (kg)	255,9	252,0	1 032,6
Yield (g/t)	1,2	1,2	1,2
Price received (R/kg)	24 493	24 575	24 591
Revenue (R/t milled)	29,86	29,54	30,32
Working cost (R/t milled)	15,49	16,22	16,25
Rock purchased (R/t milled)	10,24	6,41	7,09
Profit (R/t milled)	4,13	6,91	6,98
Revenue (R000)	6 271	6 204	25 469
Working cost (R000)	3 253	3 406	13 650
Rock purchased (R000)	2 150	1 346	5 954
Profit (R000)	868	1 452	5 865
FINANCIAL RESULTS (R000)			
Working profit: Gold	868	1 452	5 865
Net sundry revenue	699	581	2 493
Profit before tax	1 567	2 033	8 358
Tax:			
Formula tax	573	916	3 935
Non-mining tax	167	193	696
Profit after tax	827	924	3 728
Net surface capital expenditure	6	30	44
Dividend/Capital repayment	2 700	—	3 600
Loan levy refund (1979)	—	—	255

CAPITAL EXPENDITURE. There were no capital expenditure commitments at 30 June 1986.

DIVIDEND. A dividend (No. 90) of 45 cents per share was declared on 10 June 1986, payable to members on or about 6 August 1986.

On behalf of the board
A. J. Wright, C. T. Fenton } *Directors*

7 July 1986

VENTERSPOST

Venterspost Gold Mining Company Limited
(Registration No. 05/05632/06)

ISSUED CAPITAL: 6 050 000 shares of R1 each, fully paid.

	Quarter ended 30 June 1986	Quarter ended 31 March 1986	Year ended 30 June 1986
OPERATING RESULTS			
Gold			
Ore milled (t)	390 000	390 000	1 560 000
Gold produced (kg)	1 442,7	1 315,5	5 532,0
Yield (g/t)	3,7	3,4	3,5
Price received (R/kg)	24 168	24 295	24 597
Revenue (R/t milled)	89,53	82,15	87,39
Cost (R/t milled)	80,07	77,48	77,60
Profit (R/t milled)	6,86	4,67	9,79
Revenue (R000)	34 917	32 037	136 336
Cost (R000)	31 461	30 216	121 061
Profit (R000)	3 456	1 821	15 275
FINANCIAL RESULTS (R000)			
Working profit: Gold	3 456	1 821	15 275
Recovery under loss of profits insurance	—	—	53
Net sundry revenue	1 509	1 415	5 923
Profit before tax	4 965	3 236	21 251
Tax	(591)	620	5 156
Profit after tax	5 556	2 616	16 095
Capital expenditure	2 130	230	4 400
Dividend	5 555	—	10 100
Loan levy refund (1979)	—	—	51

CAPITAL EXPENDITURE. The unexpended balance of authorised capital expenditure at 30 June 1986 was R12,7 million.

DIVIDEND. A dividend (No. 92) of 110 cents per share was declared on 10 June 1986, payable to members on or about 6 August 1986.

ORE RESERVES AT 30 JUNE 1986. The detailed ore reserves will be published in the annual report. At the prevailing pay limit of 4,4 grams per ton the reserves are as follows:

Classification	Tons	STOPE Width (cm)	STOPE Value (g/t)	STOPE cm.g/t
Main Reef	4 789 000	142	5,2	738
Ventersdorp Contact Reef	1 740 000	151	7,7	1 163
Libanon Reef	38 000	125	25,7	3 212
Total and averages	6 565 000	144	6,0	864

On behalf of the board
A. J. Wright, C. T. Fenton } *Directors*

7 July 1986

LIBANON

Libanon Gold Mining Company Limited
(Registration No. 05/08361/06)

ISSUED CAPITAL: 7 937 300 shares of R1 each, fully paid.

	Quarter ended 30 June 1986	Quarter ended 31 March 1986	Year ended 30 June 1986
OPERATING RESULTS			
Gold			
Ore milled (t)	435 000	435 000	1 740 000
Gold produced (kg)	2 435,0	2 305,5	9 067,0
Yield (g/t)	5,6	5,3	5,2
Price received (R/kg)	23 130	25 157	24 447
Revenue (R/t milled)	129,68	133,62	127,64
Cost (R/t milled)	79,73	72,13	70,83
Profit (R/t milled)	52,96	61,49	56,81
Revenue (R000)	56 412	58 124	222 088
Cost (R000)	33 380	31 377	123 240
Profit (R000)	23 032	26 747	98 848
FINANCIAL RESULTS (R000)			
Working profit: Gold	23 032	26 747	98 848
Net sundry revenue	3 851	3 857	14 952
Profit before tax and State's share of profit	26 883	30 604	113 800
Tax and State's share of profit	9 888	15 547	52 828
Profit after tax and State's share of profit	17 010	15 057	60 972
Capital expenditure	9 306	5 587	25 480
Dividend	19 447	—	32 940
Loan levy refund (1979)	—	—	1 947

CAPITAL EXPENDITURE. The unexpended balance of authorised capital expenditure at 30 June 1986 was R79,7 million.

DIVIDEND. A dividend (No. 71) of 245 cents per share was declared on 10 June 1986, payable to members on or about 6 August 1986.

ORE RESERVES AT 30 JUNE 1986. The detailed ore reserves will be published in the annual report. At the prevailing pay limit of 3,7 grams per ton the reserves are as follows:

Classification	Tons	STOPE Width (cm)	STOPE Value (g/t)	STOPE cm.g/t
Main Reef	4 039 000	148	5,6	829
Ventersdorp Contact Reef	1 689 000	149	8,2	1 222
Kloof Reef	436 000	212	5,4	1 145
Libanon Reef	19 000	147	6,1	897
Total and averages	6 183 000	151	6,3	951

On behalf of the board
A. J Wright, C. T Fenton } *Directors*

7 July 1986

Note: Copies may be obtained from the United Kingdom Registrar: Hill Samuel Registrars Limited, 6 Greencoat Place, London, SW1P 1PL.

NOTICE OF REDEMPTION

To the Holders of

RICOH COMPANY, LTD.

(Kabushiki Kaisha Ricoh)

6⅝% Convertible Debentures Due 1995

NOTICE IS HEREBY GIVEN to the holders of the outstanding 6⅝% Convertible Debentures Due 1995 (the "Debentures") of Ricoh Company, Ltd. (the "Company") that pursuant to the provisions of Article Four of the Indenture dated as of August 1, 1980 between the Company and **Morgan Guaranty Trust Company of New York** (the "Trustee"), the Company has elected to redeem on July 31, 1986 all of its outstanding Debentures at 103.875% of the principal amount thereof together with accrued interest of $22.08 for each $1,000 principal amount. Interest on the Debentures shall cease to accrue on and after July 31, 1986.

Payments will be made on and after July 31, 1986 against presentation and surrender of Coupon Debentures with Coupons due September 30, 1986 and subsequent coupons attached, subject to applicable laws and regulations either (a) at the office of the Trustee in New York City, or (b) at the London, England offices of The Mitsubishi Bank, Limited at 1 King Street, London EC2V 8LQ, The Fuji Bank, Limited at 25-31 Moorgate, London EC2R 6HQ, and The Tokai Bank, Limited at P & O Building, Leadenhall Street, London EC3V 4RD. Payment at the offices referred to in (b) above shall be made by check drawn on, or transfer to a United States dollar account maintained by the payee with, a bank in New York City. Registered Debentures should be presented and surrendered for payment by forwarding them to the Trustee at **30 West Broadway, 13th Floor, New York, New York 10015, Attention: Corporate Trust Department.** The method of delivery of the Debentures is at the option and risk of the holder, but if mail is used, Registered Mail is suggested.

Holders have the right to convert their Debentures into shares of Common Stock of the Company, or at the option of the holders into American Depositary shares at the conversion price (with the Debentures taken at their principal amount translated into Japanese Yen at the rate of Yen 237.25 equalling $1.00) of 507.1 Yen per share. Each holder who wishes to convert his Debentures must deposit his Debentures (in the case of Coupon Debentures with all unmatured Coupons attached) accompanied by a written notice to the effect that the holder elects to convert such Debenture with the Depositary and Conversion Agent, Chemical Bank, Corporate Trust Office, 55 Water Street, New York, New York 10041 or at any of the offices of the Depositary's Agents in London, The Mitsubishi Bank, Limited, The Fuji Bank, Limited and The Tokai Bank, Limited. The Indenture provides that the right to convert the Debentures will terminate at the close of business (5:00 P.M. Local Time) on July 29, 1986.

RICOH COMPANY, LTD.
(Kabushiki Kaisha Ricoh)

Dated: June 25, 1986

The Interest and Dividend Tax Compliance Act of 1983 requires the withholding of 20% of any gross payments made to holders who fail to provide, and certify under penalties of perjury, a correct taxpayer identification number (employer identification number or social security number, as appropriate) on or before the date the Debentures are presented for redemption. Holders may also be subject to a penalty of $50 for failure to provide such number. If you have not previously submitted your correct taxpayer identification number, a properly completed Internal Revenue Service Form W-9 should accompany your Debentures when presented for redemption.

NOTE

In the notice of June 25, 1986, published on June 30, 1986, the address for The Mitsubishi Bank, Limited, London Office was incorrect; please note the corrected address as above.

SFR 200,000,000

Currency Exchange Agreement

Maturing March, 1996

Between

Inco Limited

and

Canadian Imperial Bank of Commerce

The undersigned arranged the above transaction.

MORGAN STANLEY & CO.
Incorporated

July 8, 1986

ECU 70,000,000

Currency Exchange Agreement

Maturing March, 1994

Between

Inco Limited

and

Bank of Montreal

The undersigned arranged the above transaction.

MORGAN STANLEY & CO.
Incorporated

July 8, 1986

All of these Securities have been sold. This announcement appears as a matter of record only.

U.S. $100,000,000

INCO

Inco Limited

9¾% Notes Due 1996

MORGAN STANLEY INTERNATIONAL

CIBC Limited — *COMMERZBANK* Aktiengesellschaft

MORGAN GRENFELL & CO. Limited — *WOOD GUNDY INC.*

BANK OF MONTREAL — *THE BANK OF NOVA SCOTIA GROUP*

BANQUE BRUXELLES LAMBERT S.A. — *CREDIT LYONNAIS*

DOMINION SECURITIES PITFIELD Limited — *McLEOD YOUNG WEIR INTERNATIONAL* Limited

ORION ROYAL BANK Limited — *SODITIC (JERSEY)* Limited

SWISS BANK CORPORATION INTERNATIONAL Limited

BANQUE INTERNATIONALE A LUXEMBOURG S.A. — *BAYERISCHE VEREINSBANK* Aktiengesellschaft

CHEMICAL BANK INTERNATIONAL GROUP — *GENOSSENSCHAFTLICHE ZENTRALBANK AG* Vienna

July 8, 1986

APPOINTMENTS

Managing director for IDV

Mr Colin Gordon has been appointed managing director of INTERNATIONAL DISTILLERS AND VINTNERS (UK); subsidiary of Grand Metropolitan. His appointment follows the resignation of **Mr James Espey**, who has joined the Guinness Beverage Group. Mr Gordon was deputy managing director of IDV (UK). **Mr Howard Smith**, managing director of IDV (UK) Sales becomes deputy managing director of IDV (UK). **Mr Ian Ritchie** will become chairman of Peter Dominic, in addition to his present post of managing director. Mr Gordon will also become chairman of W. and A. Gilbey, and IDV (UK) Sales.

★

Mr K. R. K. Harding has been appointed secretary of the CHARTERED INSTITUTE OF ARBITRATORS. The newly-elected president of the institute is **Lord Justice Goff.**

★

Mr Michael Geary and **Mr Paul Brooks** have been appointed assistant directors of PRUDENTIAL PORTFOLIO MANAGERS, with responsibility for the day-to-day running of Pruventure, the Prudential's venture capital arm. Mr Geary was managing director of Munford and White. Mr Brooks was a director of Charterhouse.

★

SUN ALLIANCE INSURANCE GROUP has appointed to the boards of Sun Alliance and London Insurance, and its principal subsidiaries, **Mr R. J. Taylor**, general manager, home division.

★

Alexander Stenhouse has formed ALEXANDER STENHOUSE EUROPE which is responsible for the corporate management of its wholly-owned broking businesses throughout Continental Europe. The company also has responsibility for corporate relations with businesses in Europe where Alexander and Alexander is the major shareholder. Appointed to the board of Alexander Stenhouse Europe is **Mr John B. Devine**, as chairman, who is a director of A. and A. Services Inc with responsibilities for Europe and the UK. **Mr Malcolm J. Grint** is deputy chairman and chief executive officer continuing his responsibilities from pre-merger days; and **Mr Roy Barrett** is the chief financial officer. Other senior appointments are **Mr Hugh A. Warren**, a director of development, **Mr Dudley Maynard**, manager international loss control and **Mr Philip A. Hillar**, manager multi-national marketing and servicing.

★

Mr Robert Ogston, a director of Bath and Portland Stone, has been elected president of the STONE FEDERATION for 1986-1987. The new senior vice-president is **Mr David Jesper** and the junior vice-president is **Mr Angus Gascoigne.**

Patrick Jenkin joins Friends' Provident

Mr Patrick Jenkin, MP, has been appointed to the board of FRIENDS' PROVIDENT LIFE OFFICE with a view to succeeding **Mr E. W. Phillips** as chairman of both Friends' Provident and UK Provident when Mr Phillips retires in May 1988. He will join the UK Provident board as soon as there is a vacancy. Mr Jenkin has resigned from the board of Provident Life Association to avoid any conflict of interest.

★

At STOTHERT AND PITT **Mr N. William Otley** has been appointed director of finance and company secretary. He succeeds **Mr K. A. Davies** who becomes managing director, Stothert and Pitt Fluid Engineering. **Mr John W. G. Firth**, a locally-based chartered accountant, and **Mr Marmaduke J. Hussey**, a director of The Times Newspapers have been made non-executive directors.

★

Mr Terry Barnes, Mr Kelvin Curran and **Mr Jason Duke** have been appointed to the main board of the POINTON YORK GROUP. Mr Barnes is managing director of Pointon York Ltd (corporate finance and banking services); Mr Curran is chief executive of Pointon York Vos (Insurance Broking) and Mr Duke is deputy chairman of Pointon York (Pensions and Investment).

★

Following the acquisition by PREMIER CONSOLIDATED OILFIELDS of the oil and gas exploration interests of Burmah Oil and the issue of 72m Premier shares to Burmah, making it a 25 per cent shareholder, **Mr John Maltby**, chairman, and **Mr Lawrence Urquhart**, managing director of the Burmah Group are joining Premier's board and **Mr Roland Shaw**, chairman of Premier, is joining the Burmah board. **Mr M. N. Burchell**, former managing director of Burmah Oil Exploration, is joining Premier as general manager, production and engineering, and seven other former Burmah employees are joining the Premier staff.

★

Sir Denis Rooke, chairman of the British Gas Corporation, has been elected president of the FELLOWSHIP OF ENGINEERING for a five-year term in succession to **Viscount Caldecote** who retired on July 2.

★

Mr Simon Casey has joined the FENCHURCH GROUP as an executive director of Fenchurch North America.

★

Mr David Mullins, chairman of the Stirling Group has been appointed president of the INSTITUTE OF EMPLOYMENT CONSULTANTS (IEC).

★

Mr Rhoderick Parry has been appointed a director of MORGAN GRENFELL FINANCIAL FUTURES.

★

Mr Paul Barry has been appointed to the board of CHARTERED TRUST as finance director. He was group financial controller.

★

BERGER DECORATIVE PAINTS, Bristol, has appointed as purchasing director **Mr Bernard Hammond**, who was purchasing manager. His post as regional purchasing executive to Berger Britain remains unchanged. The company has established an executive board of management, and appointed **Mr Michael Usher-Clark** as personnel director and **Mr Brian Kerr** as trade sales and marketing director. **Mr Doug Keep** and **Mr Ray Malt** become retail sales and marketing director and trade development director respectively. **Mr John Czarnuszewicz** has been appointed finance director, **Mr Dennis Kreter** operations director, and **Mr Dick Woodbridge** technical director.

★

Mr Peter Haslehurst has become general manager, EIS GROUP. **Mr Kelvin Derrick** succeeds him as divisional director, Flexibox International, a wholly-owned subsidiary.

★

At the ITALIAN INTERNATIONAL BANK, London, **Mr Nicholas Beresford-Jones** has been appointed associate director in charge of the lending division; **Mr Allan Davies** has assumed overall responsibility for all capital markets activity; **Mr Giorgio Guano** becomes senior manager with day-to-day responsibility for primary Eurobonds and new issues; and **Mr Mick Broad** has become chief Eurobond dealer.

★

Mr Graham Maguire has been appointed operations director of THE VICTORIA WINE COMPANY. The former operations director, **Mr Roger Scott**, has been switched to services director.

This advertisement is issued in compliance with the requirements of the Council of The Stock Exchange.

The Council of The Stock Exchange has granted permission to deal in the 12 per cent. Convertible Unsecured Loan Stock 1992/97 in the Unlisted Securities Market. It is emphasised that no application has been made for these securities to be admitted to listing.

FERGABROOK GROUP PLC

(Registered in England No. 1091388)

Rights Issue of £2,028,000 12 per cent. Convertible Unsecured Loan Stock 1992/97 at par

Particulars regarding the Convertible Loan Stock are available in the Extel Unlisted Securities Market Service and copies of such particulars may be obtained during normal business hours on weekdays (Saturdays excepted) up to and including 22nd July, 1986 from:

Hill Samuel & Co. Limited
100 Wood Street
London
EC2P 2AJ

8th July, 1986

NATIONAL BANK OF CANADA

(A chartered bank governed by the Bank Act of Canada)

U.S.$50,000,000

Floating Rate Notes due Jan 1991

In accordance with the provisions of the Notes notice is hereby given that for the six month Interest Period from July 8th 1986 to January 8th 1987 the Notes will carry an Interest Rate of 7% per annum. The Coupon amount payable on Notes of U.S.$5,000 will be $178.89

Agent Bank

FIRST CHICAGO

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price p	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
§125	F.P.	24/7	150	136	§Accord Publications 5p	148	......	R03.1	2.6	3.0	18.7
§§	F.P.	15/8	127	114½	§Airsprung Group 10p	120xd	......	5.4	2.8	6.3	7.9
150	F.P.	30/6	151	138	Alumasc Group	150	......	R5.85	2.5	5.5	10.4
115	F.P.	11/7	190	155	Arlington Sec. 10p	183	......	b1.7	4.3	1.3	25.1
150	F.P.	20/6	161	148	Barker (Charles) 5p	153	......	u3.0	3.1	2.8	16.7
§145	F.P.	—	158	145	§Benmarco 5p	147	......	u5.0	2.4	4.8	11.7
§§	F.P.	—	53	43	Bertrams Inv. Tst	43	......	—	—	—	—
§37½	F.P.	25/7	43½	38	§Bipol 5p	42½	+½	R1.225	3.1	4.0	10.9
147	F.P.	4/7	142	130	Black 5p	140	......	R3.4	3.1	3.4	13.4
125	F.P.	—	140	128	§Borland Intl. Inc	140	+4	u02c	1.4	1.0	19.6
145	F.P.	25/7	175	148	Bredero Props	150	+2	R4.25	2.3	4.0	12.7
§60	F.P.	20/6	61½	54	§Brit. Isl. Airways 20p	58	......	bd2.82	2.3	6.8	8.1
§63	F.P.	—	66	61½	§Camtech	66	—	R2.0	2.4	4.5	13.5
§110	F.P.	18/7	115	100	§C'bell & Armstrong 5p	100	......	u3.91	1.9	5.5	12.7
§125	F.P.	—	135	131	§Chelsea Man 5p	134	......	L2.2	2.8	2.3	22.0
§§	F.P.	—	106	85	Clarkson (Horace)	106	+6	L4.75	1.5	6.3	14.5
§84	F.P.	1/8	91	84	§Coated Electrodes 5p	86	......	u3.9	1.6	6.4	13.4
§50	F.P.	11/6	64	50	§Dean & Bowes 5p	64	......	L2.5	1.5	5.5	17.3
§58	F.P.	4/7	65	59	Densitron Intl 5p	65	+2	a1.66	2.1	3.6	16.6
140	F.P.	4/7	150	126	§Fields (Mrs) Inc $0.05	127	+2	RQ4.5c	2.6	2.9	16.0
§85	F.P.	—	92	82	§Ford & Weston 5p	90	+3	R3.02	2.6	4.7	11.5
150	F.P.	25/7	155	150	Guthrie Corp	154	......	u5.3	2.2	4.8	9.9
140	F.P.	20/6	150	141	Haggas (John) 10p	146	......	u3.0	3.2	2.9	15.1
§85	F.P.	24/7	104	90	§Hodgson Hldgs 5p	104	+3	R2.13	2.3	2.9	18.9
§230	Nil	—	325	225	Joel (R.J.) Ltd Units	260	......	—	—	—	—
145	F.P.	16/7	130	115	Lopex 5p	115	......	R4.0	2.3	4.9	12.3
157	F.P.	26/6	158	145	§Monotype Corpn 10p	156	......	R4.4	1.6	3.9	15.7
§500	F.P.	—	516	472	Morgan Grenfell £1	472	−16	L8.5	—	2.5	—
§100	F.P.	27/6	121	103	§Savage Group 20p	120	......	R3.0	2.5	3.5	15.9
§165	F.P.	1/8	184	171	§Smallbone 10p	174	−1	u5.0	2.1	4.0	16.2
—	F.P.	—	55	43	Smith Newcourt War'ts.	55	......	—	—	—	—
§40	F.P.	31/7	42	35	§Soundtracs 5p	42	......	61.2	2.8	4.0	12.5
§98	F.P.	—	106	102	§Space Planning 10p	102	......	R3.8	3.4	2.5	16.6
§95	F.P.	25/7	119	104	§Task Force 5p	114	......	R1.78	3.8	2.2	16.9
112	F.P.	8/8	128	116	Tenby 50p	128	+1	u4.0	2.6	4.4	10.0
190	F.P.	—	242	219	Thames TV	220	......	49.5	1.9	6.1	12.3

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price £	+ or -
§	F.P.	5/8	111	104	Amari 8% Cum. Conv. Red. Pref.	104	−1½
§97.947	£25	17/9	27¼	25¼	Baillie Inv. Tst. 10½% Deb. 2016	27¼	+½
§99.50	£10	28/8	9¼	8	Bristol Water 9.8% Red Deb '96	8½	......
§99.256	£30	29/8	32¾	27¼	Brit. Alcan Aluminium 10¾% Deb. 2011	29¼	+½
§94.203	£25	31/10	25¾	23½	Brixton Est. 9.5% 1st Mort Deb 2026	25¾	+½
109.89	£40	29/8	40	37¼	Estates & Gen. 11¼% 1st Deb. 2018	38	......
§94.45	£30	31/10	32⅛	29¾	European Inv. Bank 9¾Ln 2001	32⅛	......
§	F.P.	4/8	107½	105	Friendly Hotels 5% Conv. Cum Red. Pref.	105	......
96.114	£25	—	27¾	26½	Globe Inv. 10% Deb. 2016	27¾	+¼
§99.054	£40	12/9	41¾	39¾	Govett Stratl. Inv. 1st. 10½% Deb. 2016	41¾	+½
97.963	£25	24/10	25¾	19¾	Gt. Portland 9½% 1st. Mort. Deb. 2016	22½	+½
105.523	£25	21/8	26	20½	Land Securities 10% 1st. Mort. Deb. 25	22¼	+¼
§	Nil	—	¼pm	¼pm	Leigh Int. 6% Cnv. Cum. Red. Prf.	¼pm	−¼
§99.951	£40	14/7	42	36	Lon. Prov. Shop 10% 1st. Mtg. Deb. 2026	37	......
§99.793	£25	24/9	24¾	21½	Lon. Shop Prop. 10% 1st. Mort. Deb. 2026	23¼	+¾
§§	F.P.	—	136p	136p	Morgan Grenfell 11¼% Cum Prf.	136p	......
—	F.P.	—	100⅛	99½	Nationwide 9½ 15/6/87	99½	......
—	F.P.	—	100	99	Do 9½% 6/7/87	99½	......
§97.50	F.P.	11/7	97¼	96½	Paribas Concorde Tst. 9.364% Deb. 1991	96¾	......
§99.623	F.P.	30/6	100¾	95	Peel Hldgs. 9¾% 1st. Mort. Deb. 2011	97	......
§57.379	£30	26/9	31	28¾	Portugal 9% Ln 2016	31	......
§99.888	£40	1/8	44	38¾	Queens Moat 10¼% 1st. Mort. Deb. 2020	40¾	+½
95.512	F.P.	—	98½	95¼	Scot. Mort. 6%—12% Ste'd Int. Deb. 2026	98½	+1
§105	£50	10/10	46	43½	Scott. New Court 12pc Uns. Ln. 2001‡‡	45¼	−¼
§99.480	£25	18/7	30¼	24¾	S.E. 10¼% Mort. Deb. 2016	26½	+⅝
§99.50	£10	28/8	9¼	8	Sund. & S. Shields Wtr 9.8% Rd Db '96	8½	......
§48.835	F.P.	15/8	49¾	47¾	Tesco 4% Uns Deep Dis Ln 2006	49¾	+¼
§§	F.P.	—	126p	112p	Tomkins (F.H.) 5.6% Cum. Cnv. Red. Prf	125p	......
99.073	£25	8/8	25¾	22¾	Town Est. 10¼% 1st. Mort. Deb. 2011/16	24½	+½
§§	F.P.	—	106p	104p	Williams Hldgs. 5¼% Cum. Conv. Red. Pref.	106p	......
£100	£50	12/9	50¼	46¾	Witan Inv. 8½% Deb 2016	49	+½

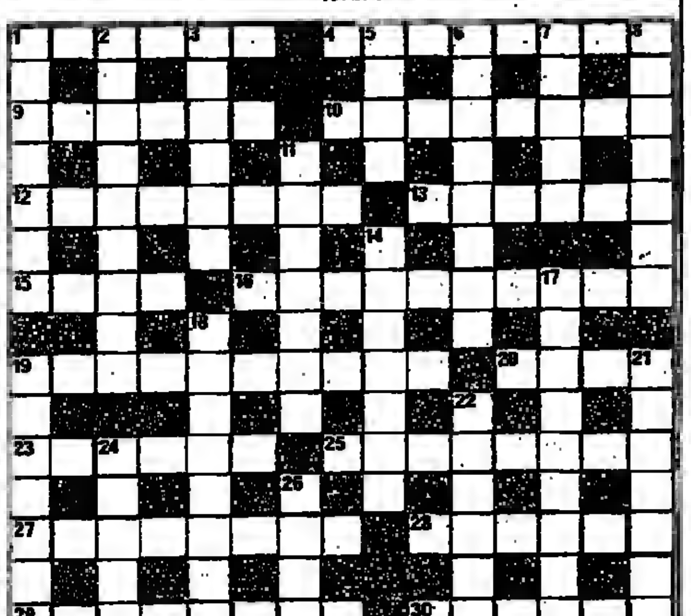
"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price p	+ or -
40	Nil	4/8	11pm	3pm	Anglo African Fin. 7½p	3pm	......
470	Nil	4/8	200pm	100pm	Antofagasta Hldgs. £1	100pm	......
55	Nil	—	½pm	¼pm	Bertrams Inv. Tst.	½pm	......
250	Nil	—	28pm	23pm	Bouse Kassimi Pollitt 12½p	23pm	......
190	F.P.	8/8	236	218	Clifford's Dairies	225	......
170	F.P.	8/8	198	192	Do A N/V	197	......
465	Nil	29/8	100pm	80pm	Costain Group	88pm	−6
880	Nil	1/8	180pm	135pm	De la Rue	175pm	−5
130	Nil	—	8pm	8pm	Erskine House	9pm	......
47	Nil	15/8	17pm	8½pm	Five Oaks Inv.	17pm	+2
300	F.P.	24/7	345	328	Gerrard & Natl.	335	......
148	Nil	20/8	34pm	26pm	Ibstock Johnsen	30pm	−1
215	Nil	—	63	42	Intl. Signal & Control 10c	42	−1
200	F.P.	18/7	520	490	Nat West Bank £1	513	−2
18	F.P.	23/7	23	19	Neil & Spencer 10p	21	......
50	Nil	—	14pm	10pm	§Pineapple Dance Studios 10p	12pm	......
£14	Nil	12/9	500pm	500pm	Priest Marians £1	500pm	......
285	F.P.	6/8	336	328	Scottish TV 10p	330	......
25	Nil	—	4pm	½pm	Sovereign Oil & Gas	½pm	......

*Renunciation date usually last day for dealing free of stamp duty. a Annualised dividend. b Figures based on prospectus estimates. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. t Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‡‡ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ▇ Allotment price. § Unlisted securities market. †† Official London listing. ‡‡ Including warrants entitlement.*

F.T. CROSSWORD PUZZLE No. 6,067

QUARK



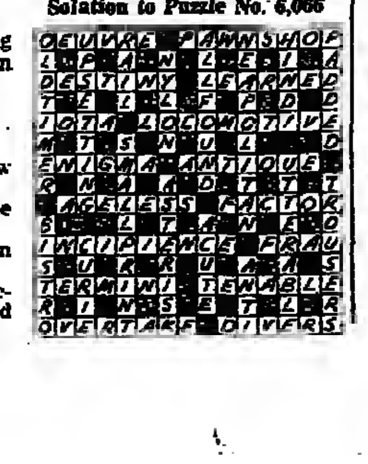
ACROSS

1 and 4 Here comes the person in question, in a manner of speaking (4,2,3,5)
9 Sopply a horse? (6)
10 Lie with grief shamefully—that's delicate work (8)
12 Worker in straightforward plant (8)
13 Dramatist—a constant firebrand (6)
15 Provisions from the mysterious East? (4)
16 The charge is I'm at upper-class point, perhaps (10)
19 Complaining is one happening to stop play, we hear (10)
20 Seaside event returns. Prepare for an issue (4)
23 Turn belt round. It's a sort of "container" (6)
25 Start the fourth part of play at Empire's finale (8)
27 Hilarity. It's killing! (needing no introduction) (8)
28 Hare race (6)
29 Music and drama making come-back to question what's ahead (5,3)
30 MP's barrack? (6)

DOWN

1 Pair set out to slog (7)
2 To care for means to follow with one's eyes (4,5)
3 To make a speech round the North that's flowery (6)
5 Some of the Irish next in line? (4)
6 Using acid, I led in connection with the killing of a god (8)
7 Approach, for example, vicar to turn up? (5)
8 Accept without opposition untruth over the County (3,4)
11 Shooting for the stars? (7)
14 Where it's hot the holder of the Ashes is seen in *grimace* (7)
17 Dev's material for good marks? (6,3)
18 Team's greeting for subsidiary event? (8)
19 Repair snag—glue topless bell (7)
21 Very French tale lacking a supporter (7)
22 Spot politician in post (6)
24 Sportsperson has right to be more depressed (5)
26 She contributes to overarm bowling (4)

Solution to Puzzle No. 6,066



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

AUTHORISED UNIT TRUSTS & INSURANCES

Wardley Unit Trust Managers Ltd (a)
Wardley House, 1 Devonshire Sq, EC2 01-929 1532

American Tst	65.8	70.0xd	+0.1	1.6
Far East & Gen Tst	92.8	98.8	+1.4	1.0
Intl Growth Tst	67.7	72.1xd	+0.4	0.8
Income Tst	84.1	90.5	+0.1	5.6
Japan Growth Tst	114.0	122.6	+2.1	0.2
Small Cos. Tst	117.0	125.9	+0.2	2.0
Technology Tst	31.1	35.5	+0.1	0.2
Australia Trust	36.2	38.9		2.0
UK Trust	130.9	139.3xd		2.7
European Growth Tst	47.9	51.0xd	-0.7	1.2
Hong Kong Tst	20.2	21.4		1.6

Waverley Asset Management Ltd (a) (c) (g)
13 Charlotte Sq, Edinburgh 031-225 1551

Australasian Gold	14.4	15.4	+0.1	0.15
Pacific Basin	12.9	13.7		0.2
Canadian Balanced Growth	60.3	64.4	+1.4	0.98
Ginnie Mae	100.1	104.2		7.0

WestAvon Unit Trust Managers Ltd(a)(c)
9 Portland Square, Bristol BS2 8SS 0272 428431

British Smllr Cos	58.1	60.0		1.00
British Growth	40.1	30.0	+0.1	1.50
British Income	66.4	68.3	-0.1	9.50
British Extra Yield	51.8	63.3xd	+0.1	6.50

Whittingdale Unit Trust Managers
2 Honey Lane, London EC2V 8B7 01-606 9085/6

Short Dtd Gilt Fd	67.4	68.5	+0.1	0.00
U.S. Govmt Bond F	0.504	0.506		

Windsor Trust Mngrs Ltd
83 Kingsway, London, WC2B 6SD 01-405 8331

Comdol & County Tst	49.7	52.9		7.51
Growth Trust	52.8	56.8	+0.3	2.18
Income Trust	55.4	59.6	-0.3	4.97

Wright Seligman Fund Managers Ltd

The Yorkshire General Trust

INSURANCES

Cannon Assurance Ltd—Continued

Index	112.1	118.6	+0.1	-
Far East	169.3	179.5	+0.9	-
Global	95.0	100.5	+0.3	-
European	96.9	102.5	+0.9	-
Japan	103.3	109.3	+1.2	-
2nd Series Pension Accumulation				
Equity	499.5	528.6	+1.6	-
High Income	328.3	347.4	-1.0	-
Property	277.6	293.5		-
Managed	342.3	362.2	+0.4	-
Deposit	249.1	263.6		-
Gilt	258.4	274.8		-
American	399.4	422.6	+2.5	-
International Money	251.8	272.8	+2.3	-
Index	122.5	129.6		-
Far East	183.1	193.8	+1.1	-
Global	95.1	100.6	+0.4	-
European	97.5	103.2	+1.3	-
Japan	105.6	111.7	+1.4	-
Other Funds				
Equity Units		67.77	-0.20	-
Property Units		21.08		-
Equity Bond/Exec	42.32	44.78	-0.13	-
Property Bond/Exec	28.42	30.07		-
Balanced Bond/Exec	33.82	35.79	+0.07	-
L&E SIF 1	110.0	117.5	+0.5	-
L&E SIF 2	72.5	77.0	+0.5	-

City of Edinburgh Life Assurance
4b Charlotte Sq, Edinburgh EH2 4HQ 031-225 1655

Ivory & Sime Bond	106.0	112.0	-	-
Risk & Reward Bond	119.0	126.0		-
Murray Johnstone Fd	116.0	123.0		-
Money Market Fd	100.0	106.0		-
Ivory & Sime Pen Fd	99.0	105.0		-
Risk & Reward Pen. Fd.	101.0	107.0		-
Murray Jstone Pen. Fd.	114.0	120.0		-
Money Market Pen. Fd	100.0	106.0		-

City of Westminster Assurance
Sentry House, 500 Avebury Boulevard, Cent. Milton Keynes MK9 2LQ Tel: 0908 606101/660888

INSURANCE, OVERSEAS & MONEY FUNDS

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

World Fund S.A.
2 Boulevard Royal, Luxembourg
World Fund NAV ...... $18.21 | ... | —

World Wide Growth Management◊
10a, Boulevard Royal, Luxembourg
Worldwide Gth Fd. ...... $16.75 | −0.01 | —
Inv. Adv. M. & G. Inv. Mngt., Ltd, London

Yamaichi Dynamic Mngt Co SA
30A Boulevard Royal, Luxembourg
Advanced Tech ...... $17.58 | +0.12 | —
Dynamic Gwth Fd. ...... $19.14 | +0.18 | —

Zero Bond Fund Limited
PO Box 208, St Peter Port, Guernsey 0481 26268
Zero Bond Fund ...... $11.77 17.42 | —

Money Market Trust Funds

Gross | Net | Gr Equiv CAR | Int Cr

The Charities Deposit Fund
2 Fore Street, London EC2Y 5AQ 01-588 1815
Deposit ...... 9.85 | — | 3-Mth

The Money Market Trust
63 Qn Victoria St, EC4N 4ST 01-236 0952
Call Fund ...... 10.37 | 7.79 | 11.30 | 6mth
1-day Fund ...... 10.00 | 7.49 | 10.00 | 6mth

Oppenheimer Money Management Ltd
66 Cannon St, EC4N 6AE 01-236 1425
Call Fund ...... 10.10 | 7.55 | 10.83 | 6-Mth
7-day Fund ...... 9.81 | 7.35 | 10.57 | 6-Mth
Dollar ...... 6.94 | — | — | 6-Mth

Money Market Bank Accounts

Gross | Net | Gr Equiv CAR | Int Cr

Adam & Co. plc
22 Charlotte Sq, Edinburgh EH2 4DF 031-225 8484
Full Service Chq Acc ...... 9.25 | 6.66 | 9.82 | Qtr.

Aitken Hume
30 City Road, EC1Y 2AY. 01-638 6070
Treasury Acc. ...... 9.25 | 6.93 | 9.99 | Qtr
Mth. Int. Cap. ...... 9.5 | 6.41 | 10.04 | Mth

Allied Arab Bank Ltd
97-101 Cannon St, London, EC4N 5AD 01-283 9111

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	28	Marks & Spencer	18
BAT	38	Midland Bk	44
BOC Grp.	32	NEI	11
BSR	14	Nat West Bk	70
BTR	45	P & O Dfd	45
Babcock	20	Plessey	20
Barclays	45	Polly Peck	16
Beecham	32	Racal Elect	17
Blue Circle	55	RHM	20
Boots	26	Rank Org Ord	48
Bowaters	30	Reed Intnl	75
Brit Aerospace	48	Sears	12
Brit. Telecom	17	TI	42
Brown (J.)	3	Tesco	30
Burton Ord	32	Thorn EMI	35
Cadburys	17	Trust Houses	12
Charter Cons.	22	Turner Newall	18
Comm Union	28	Unilever	120
Courtaulds	26	Vickers	40
Distillers	52	Wellcome	19
FNFC	15	**Property**	
Gen Accident	75	Brit Land	16
Gen Electric	17	Land Secs	30
Glaxo	100	MEPC	32
Grand Met	34	Peachey	24
GUS 'A'	75	Samuel Props	18
Guardian	75	**Oils**	
GKN	32	Brit. Oil & Min.	2½
Hanson Tst.	16	Brit Petroleum	48
Hawker Sidd	52	Burmah Oil	30
ICI	58	Charterhall	3
'Imps'	28	Premier	3½
Jaguar	27	Shell	55
Ladbroke	32	Tricentrol	15
Legal & Gen	79	Ultramar	18
Lex Service	38	**Mines**	
Lloyds Bank	55	Cons Gold	40
Lucas Inds.	60	Lonrho	25
		Rio T Zinc	58

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

US oil products prices follow European market's sharp fall

BY LUCY KELLAWAY

OIL PRODUCT prices in the US fell sharply yesterday with heating oil down by 2.2 cents to $33.1 cents a gallon, to catch up with a steep decline in Europe last week. In Rotterdam gas oil is now trading at about $92 a tonne, compared with $108 a week ago, and over $150 at the end of April.

The recent weakness in the products market has been aggravated by the shift to netback pricing for crude oil. Netback deals, which tie crude prices to the prices of products adjusted for transport and refining costs, guarantee the refiner a margin even when product prices are falling. This has induced refiners to overproduce, adding to the current excess supply on the market.

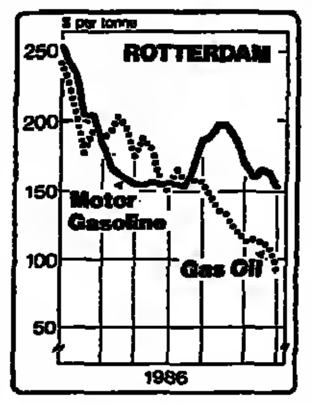
European refineries are now reported to be running flat out. In Spain alone exports are about 40 per cent higher than a year ago, putting it in the same league as France, and ahead of Italy.

"This market is shot. There is so much product around as a result of these netback deals that prices are collapsing," one dealer said yesterday.

In the US, however, refinery runs should shortly be cut following the peak July 4 holiday weekend. A reduction is badly needed as demand for petrol has been lower than expected and prices have been falling.

The drop in product prices has pushed netback prices below crude spot prices. According to some estimates Saudi Arabia is selling its oil for as little as $8.50 a barrel on a netback basis. This, in turn, is putting fresh pressures on spot prices.

The spot price of Brent was yesterday hovering just above $10, marginally below Friday's levels, with prices quoted for August delivery at about $10.10.



In the US, prices of West Texas Intermediate fell by about 50c yesterday to about $11.40, to catch up with the decline in Europe during the Independence Day holiday.

The market remains preoccupied by the extent of overproduction by Opec members. In June Opec production may have been as high as 19.5m barrels a day, according to the Middle East Economic Survey, higher than earlier estimates, and well above the tentative agreement by members at Brioni to limit output to 17.4m barrels during the third quarter. July output is now thought likely to be close to June levels.

However, Dr Subroto, the Indonesian Energy Minister, yesterday voiced confidence that the next Opec meeting in Geneva at the end of July will progress towards production quotas for member countries. "I personally feel very optimistic that the . . . meeting . . . will reach a positive understanding," he said.

● Pertamina, the Indonesian state-owned oil company has cut the price it sells its oil to marketing affiliates by $1.40 a barrel to $10.40.

Welsh farmers confident of lamb relief

By Robin Reeves

WELSH FARMERS leaders are confident that adequate compensation will be paid to sheep farmers hit by the ban on lamb movements, following a meeting yesterday with Mr Nicholas Edwards, the Welsh Secretary of State.

Mr H. R. M. Hughes, president of the Farmers Union of Wales, said, after the talks, that he was now satisfied that the Government appreciated the difficulties facing North Wales sheep producers, and was confident that compensation claims would be treated sympathetically.

Ministers would now be discussing the matter with the Treasury, Mr Hughes added, and he was hopeful there would be an early Government statement.

The Welsh farmers delegation asked for the compensation arrangements to cover overfat lambs which failed to receive the normal premium payment—because of the delay in marketing caused by the ban on lamb movement. This was imposed last month over large parts of North Wales and Cumbria and in Scotland after tests revealed radioactive contamination of a few young animals stemming from the Chernobyl nuclear disaster.

LONDON METAL EXCHANGE WAREHOUSE STOCKS
(Changes during week ending last Friday)

(tonnes)	
Aluminium	−1,300 to 136,550
Copper	+9,675 to 152,825
Lead	−1,175 to 42,150
Nickel	−12 to 4,020
Tin	−425 to 51,185
Zinc	−850 to 41,850
(ounces)	
Silver	+564,000 to 35,988,000

Cocoa agreement talks resumed

BY WILLIAM DULLFORCE IN GENEVA

EFFORTS TO negotiate a new international price-stabilising agreement for cocoa started yesterday with consuming countries meeting to fill in details of their proposal for a more flexible price adjustment mechanism.

Mr Rene Montes, the president of the UN cocoa conference, said he hoped the consumers' completed proposal would be ready for producing countries to examine today.

The blanks in the proposal—mainly concerning price ranges and timings within which adjustments should be made—remain from last February when the Ivory Coast, the world's largest cocoa producer, walked out of the conference.

Mr Denis Bra Kanon, the Ivory Coast Agriculture Minister, complained then that there was no guarantee of a minimum price for producers and that his country could not support an agreement that would encourage price speculation.

The European Community, the largest consumer, decided that there was no point in continuing the talks.

Mr Montes pointed out yesterday that all the consuming and producing countries, including the Ivory Coast, present at a meeting of the International Cocoa Agreement executive committee in London in June had agreed to resume negotiations in Geneva on an agreement which would have full economic provisions.

The present agreement expires at the end of September. Failure to replace it would mean decisions having to be taken on how to handle the 100,000-tonne buffer stock without dislocating the market.

The stumbling block in previous rounds has been the consumers' insistence on having a semi-automatic price adjustment mechanism included in the new agreement. This would allow for fairly flexible adjustments to exchange rate changes and movements in the buffer stock.

The producing countries have been willing to accept only annual adjustments and a much slower reaction to currency movements than that sought by the consumers, who want the new agreement to reflect market realities better than the old one.

The median price of 100 cents a pound offered by the consumers in February was still on the table, Mr Montes said.

The producers had to realise that they must pay a price for a new agreement, Mr Montes said. That did not mean they should accept anything offered by the consumers but they should be open-minded.

US announces export bonus deals

BY NANCY DUNNE IN WASHINGTON

THE US Department of Agriculture, under intense domestic pressure to boost farm exports, has announced two new subsidised sales of barley under its controversial Export Enhancement Programme.

The sales—4,400 tonnes of malt to Nigeria and 25,000 tonnes of feed barley to Saudi Arabia—were hailed by the US Feed Grains Council for providing an "impetus for further Export Enhancement Programme activity for US barley exports."

However, the Saudi deal—worth about $1.6m—can be expected to come in for considerable criticism from Canada, which has been active in that market without the benefit of export subsidies. The US sale will be subsidised by more than 600,000 bushels of barley coming out of Government stocks to cover the $37.93 per metric tonne bonus.

The Nigerian sale, valued about $1.8m, pays a bonus of $85 per tonne, and it will take about 250,000 bushels out of government stocks, according to the Feed Grains Council.

The sales are the latest in a scheme which has disposed of more than 4m tonnes of subsidised wheat and 800,000 tonnes of wheat flour this fiscal year. Still US farm exports are logging—they fell behind imports last month for the first time in 27 years—and the Department of Agriculture is studying ways to expand the use of its commodity mountains.

According to the Agriculture Council of America, headed by Mr Orville Freeman, a former Agriculture Secretary, the Administration is considering a swop with Mexico of grain for oil; an expanded food programme for the Philippines; and more export assistance for value added products.

Senator Robert Dole, the majority leader, last week warned the President to increase farm exports or face "uncontrollable pressure in Congress for legislative action." The Senator recommended special food aid for both the Philippines and Mexico, an export credit programme targeting other traditional US customers adversely affected by the decline in oil prices, greater use of subsidies and lower loan rates.

The pressure is on Mr Richard Lyng, the Agriculture Secretary, to implement a special "marketing loan" of the type which has spurred US sales of cotton and rice. The device allows farmers to borrow from the Government at one rate and to reimburse the Government at the lower world rate, thus driving down prices while subsidising farmers' incomes.

Greenpeace deal raises NZ hopes on UK butter sales

BY TIM DICKSON IN BRUSSELS AND JOHN CHERRINGTON

PROPOSALS to cut the quotas for imports of New Zealand butter into the EEC for the next two years are likely to be agreed by the European Commission at a meeting in Strasbourg tonight.

The planned levels for 1987 and 1988 were a matter of speculation in Brussels yesterday, especially after the settlement of the Greenpeace affair between France and New Zealand. Under the terms of the deal the French, who had been widely expected to push for the lowest possible quotas when the issue surfaces at the Council of Ministers, have now agreed not to oppose the Commission's proposals.

One observer in Brussels last night pointed out that the Commission could now be torn between the political ramifications of the Franco-New Zealand agreement and a confidential report on the EEC butter market. This contrasts recent efforts to cut dairy production in Europe with a continued increase in dairy output in New Zealand and a steady rise over the past 10 years in New Zealand's share of UK butter imports.

The issue, which dates back to the time of Britain's accession to the EEC, is highly sensitive because of the economic importance to New Zealand of its UK butter sales.

Mr Frans Andriessen, the EEC Commissioner responsible for Agriculture, is believed to be keen to impose a substantial reduction in the New Zealand quota, which under an agreement signed in 1984 amounts to 79,000 tonnes for 1986. Under that agreement quotas of 77,000 and 75,000 tonnes were provisionally set for 1987 and 1988 but at the insistence of the Irish (whose own butter exports to the UK are obviously affected by any deal) the quantities were ultimately left open.

Mr Andriessen has recently been considering figures for the next two years of 75,000 tonnes and 71,000 tonnes, though in earlier internal Commission deliberations even lower figures have been mentioned. (The US is known to favour the higher figures discussed in 1984.)

The confidential market report shows that New Zealand butter exports to the Community have come down to their present level from 165,000 tonnes in 1973 but that UK consumption has fallen from 390,000 tonnes in 1972 to 251,000 tonnes last year. New Zealand's share of UK butter imports has increased from 38.9 per cent in 1977 to 56 per cent in 1985, largely at the expense of EEC countries.

The report says that New Zealand milk deliveries increased by 1.3m tonnes since 1983 and that there has been a more than 15 per cent increase in butter production between 1983 and 1985.

It claims that the 4m tonnes reduction in Community milk production has been fully offset by corresponding increases in other countries, mainly the US, New Zealand, Japan, the Soviet Union and other Eastern European countries.

THE new French attitude to NZ dairy imports will have come as something of a blow to Britain's Milk Marketing Board (MMB) and Dairy Trade Federation who have united in a campaign for the final elimination of the New Zealand butter imports. As these two organisations spend most of their time quarrelling such an alliance underlines the determination with which they are pushing this policy.

Dairying interests in the rest of the EEC, especially Ireland are likely to back such a move on the grounds that the butter stocks in intervention stores are rising in spite of dairy output quotas, and that further quotas are being imposed.

The New Zealanders are pointing out, meanwhile, that any further cut in their UK quota would force them to unload supplies on to the world market depressing it still further.

The whole problem has been a result of the different systems used to support dairying in the Community and in Britain. The EEC used the intervention system of buying up butter and skimmed milk powder as a means of support from the inception of the Common Agricultural Policy and the butter price was fixed well above the world price and protected by import levies.

In Britain though the emphasis has been on the liquid market which was protected from imports by health regulations. The surplus production needed to maintain level supplies of liquid milk throughout the season was supported by a deficiency payments system, and there was a completely free market in manufactured milk products with access to all importers.

The most noteworthy feature of the dairy trade once the Community system was introduced was a considerable increase in the price of butter—from 24.4p per 500 grammes in 1974 to 95.3p in 1984. Over the same period the consumption, or disappearance, of butter has fallen from 8.4 to 5.1 kilos a year per head, or from 440,000 tonnes in total to 285,000 tonnes.

Obviously price has had a good deal to do with this, to which must be added the public's increased concern over health and the competition from margarine made from vegetable oils which are becoming ever cheaper. At the same time UK production of butter increased from 49,000 tonnes in 1975 to 205,000 tonnes in 1984. UK sales into intervention have brought total stocks there to 228,000 tonnes while in the Community as a whole they now amount to over 1.3m tonnes.

Advances in production techniques have also played an important part in this. Over the last 10 years there has been a 25 per cent increase in delivery to dairies in the Community in spite of a small reduction in cow numbers.

During this period the New Zealand butter quota has just about halved and the country's export difficulties have been aggravated by wholesale dumping by the EEC and the other countries of dairy products on to world markets and the virtual abolition of NZ cheese sales to Britain—from 32,000 in 1975 to 6,000 tonnes today.

The MMB points out that New Zealand undercuts the market price of packet butter by about 2 pence a pack. It can afford to do this because even after paying a levy of £500 per tonne the UK market is still well above the world price.

New Zealand claims that its farmers, who receive 5.48p per litre as against 14.6p in the UK, are the cheapest milk producers in the world.

They believe that the British consumer prefers New Zealand butter and other dairy products. I was on the New Zealand stand at the Royal Show and watched a queue of disappointed consumers being told that they could not buy the most excellent mature cheddar they had been tasting because imports were not allowed.

LONDON MARKETS

COFFEE futures prices fell to new 9-month lows yesterday before steadying to end some £30 off the bottom in the nearby positions. Bearish fundamental factors, especially the continued mild weather in the Brazilian coffee belt, where the frost risk season is now reaching its peak, kept values under pressure until a downturn in sterling's value against the dollar helped to start a rally in mid afternoon. The September position, which had slipped to £1,600 a tonne at one stage, ended the day £11.50 down on balance at £1,631.50 a tonne. Cocoa values also closed near the day's highs with the September position up £28.50 from Friday's close, at £1,321 a tonne.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial close(p.m.) £ per tonne	+ or −	High/low
Cash	734.5-5.5	−8	734.5/734
3 months	745.5-6	−1	747/743

Official closing (am): Cash 734-4.5 (735-0), three months 744-4.5 (741-1.5), settlement 734.5 (736). Final Kerb close: 746.5-7.

Turnover: 10,250 tonnes.

COPPER

Grade A	Unofficial close	+ or −	High/low
Cash	894-5	−18	902/900
3 months	905.5-6	−3.75	909/899
Standard			
Cash	861-5	−10.5	—
3 months	883-5	−11	—

Official closing (am): Cash 900-1 (911-2), three months 906-7 (909-9.5), settlement 901 (912). Final Kerb close: 899-900.

Official closing (am): Cash 860-1 (866-7), three months 884-5 (882-3), settlement 861 (867).

US producer prices 64-69 cents per pound.

Total turnover: 27,450 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or −	High/low
Cash	255.5-4	−6.75	055
3 months	256.5-7	−4.75	260/250

Official closing (am): Cash 254.5-5 (260.5-1), three months 258.5-9 (261-2), settlement 255 (261). Final Kerb close: 253.5-4.

Turnover: 12,300 tonnes. US Spot: 22.25-24 cents per pound.

NICKEL

	Unofficial close(p.m.) £ per tonne	+ or −	High/low
Cash	2525-30	+19.5	
3 months	2570-80	+32.5	2560/2545

Official closing (am): Cash 2510-5 (2505-10), three months 2555-6 (2544-5), settlement 2515 (2510). Final Kerb close: 2575-80.

Turnover: 1,062 tonnes.

TIN

KUALA LUMPUR TIN MARKET: Close 14.30 (14.29) ringgit per kg. Up 0.01 ringgit per kg.

ZINC

High grade	Unofficial close(p.m.) £ per tonne	+ or −	High/low
Cash	510.5-6	−10.75	—
3 months	518-8.5	−9	529/518

Official closing (am): Cash 517-8 (526.5-7.5), three months 520-1 (529-9.5), settlement 518 (527.5). Final Kerb close: 515-20.

Turnover: 13,050 tonnes. US Prime Western: 41.50-44.75 cents per pound.

GOLD

Gold rose $½ an ounce from Friday's close in the London bullion market yesterday to finish at $344½-345. The metal opened at $344½-345½ and traded between a high of $345-345½ and a low of $344-344½. Trading was rather quiet during the morning although a slight increase in activity after the start of New York pushed gold towards the day's high.

GOLD BULLION (fine ounce)	July 7	
Close	$344½-345	(£224-224¼)
Opening	$344½-345½	(£222½-223)
M'n'g fix	$344.45	(£225.050)
Aft'n'n fix	$344.85	(£225.057)

GOLD AND PLATINUM COINS		
Kr'g'r'nd.	$344¼-346½	(£223-224¼)
½ Krug.	$121-182¼	(£117¼-118)
¼ Krug.	$92-93	(£50¾-60¼)
1/10 Krug.	$40¼-41¼	(£20-20¾)
Mapleleaf	$353½-356½	(£228¼-300¼)
Angel	$353½-356½	(£228¼-230½)
1/10 Angel	$35-40	(£20½-26)
New Sov.	$82-84	(£53-54½)
Old Sov.	$87-88	(£56½-57)
$20 Eagle	$426-472	(£270 308¼)
NoblePlat	$441½-446½	(£285¾-289)

SILVER

Silver was fixed 1.1p an ounce higher for spot delivery in the London bullion market yesterday at 328p. US cent equivalents of the fixing levels were: spot 505.75c, up 0.5c; three-month 513.95c, up 0.65c; six-month 522.35c, up 0.5c; and 12-month 540.15c, up 0.2c. The metal opened at 328½-330p (505-508c) and closed at 328½-330p (505-507c).

SILVER per troy oz	Bullion Fixing Price	+ or −	L.M.E. p.m. Unoffic'l	+ or −
Spot	328.00p	+1.10	329.5p	+3
3 months	335.95p	+1.45	337.25p	+2.86
6 months	343.75p	+1.25	—	—
12 months	359.80p	+1.40	—	—

LME—Turnover: 35 (28) lots of 10,000 ozs.

Three months' high 337p, low 333.5p, final kerb 336-8p.

MEAT

Pigmeat prices closed slightly firmer due to short-covering but live cattle prices eased due to weaker physicals and producer selling in light volume, reports Eastern Capital CCST.

PIGMEAT Month	Y'day's close	+ or −	BEEF Y'day's close	+ or −
July	—	—	—	—
Aug	100.50	—	182.00	+1.50
Sept	105.50	−0.25	183.00	—

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 97.55p per kg lw (−0.79). GB—Sheep 164.40p per kg est dcw (+9.25). GB—Pigs 74.13p per kg lw (−1.63).

Pigmeat sales: 7 (3) lots of 50 carcases, 3,250 kg.

Beef sales: 0 (0) lots of 20 sides.

INDICES

REUTERS

July 4	July 3	M'th ago	Year ago
1438.2	1437.2	1598.7	1744.5

(Base: September 18 1931 = 100)

DOW JONES

Dow Jones	July 3	July 2	Month ago	Year ago
Spot	124.85	125.01	—	116.47
Fut.	112.57	112.23	—	116.77

(Base: December 31 1931 = 100)

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

	July 7 1986	+ or −	Month ago
METALS			
Aluminium			
Free Market	$1220/240	......	$1408/458
Copper			
Cash Grade A	£894.5	−18	£961.5
3 mths	£905.75	−3.75	£961.5
Gold Troy oz	$344.75	+0.75	$342
Lead Cash	£203.75	−6.75	£275
3 mths	£256.75	−4.75	£277.5
Nickel			
Free Mkt	178/186c	......	185/205c
Palladium oz	$111.25	−0.0	$108.75
Platinum oz	$430.25	+1.3	$422.50
Quicksilver †	$195/205	......	$210/220
Silver troy oz	528.00p	+1.10	343.85p
3 months	535.95p	+1.40	351.65p
Tin			
Free mkt	£3800/650	......	£3650/70
Tungsten	$54.40	......	$59.15
Wolfram 22.0lb	$42/50	......	$48/50
Zinc	£518.75	−10.75	£541.5
3 months	£518.25	−9	£545.5
producers	$840	......	$800
OILS			
Coconut (Phil)	$230y	......	$255
Palm Malayan	‡	......	$249.5
Copra Phil	$160y	......	$160
Soyabean (U.S.)	$151y	......	$149
GRAINS			
Barley Fut.Sept.	£98.85	+0.10	£98.15
Maize	£135.80	......	£138.00
Wheat Fut Sept.	£99.50	+0.25	£99.60
No. 2 Hard Wint.	‡	......	‡
OTHERS			
Cocoa Ft. Sept	£1321	+28.5	£1364.5
Coffee Ft. Sept	£1631.5	−11.5	£1887.5
Cotton A Ind.*	38.80c	......	42.85c
Gas Oil Aug.	$07.0	+0.5	$114.5
Rubber (kilo)	05p	......	58.00p
Sugar (raw)	$144.5y	......	$175
Wooltops 64s	588p kilo	−4	422p kilo

‡ Unquoted. † Per 75 lb flask. c Cents per pound. y July-Aug. a Aug. w Aug-Sept. * Cotton Outlook.

COCOA

Although unchanged on the opening call futures rallied during the day following optimistic sentiments voiced for current International Cocoa negotiations taking place in Geneva and at the highs of the day attracted light producer selling, reports Gill and Duffus.

COCOA	Yesterday's Close £ per tonne	+ or −	Business Done
July	1287-1289	+25.5	1280-1268
Sept.	1320-1322	+28.5	1325-1291
Dec.	1360-1361	+28.0	1362-1332
March	1388-1390	+25.5	1390-1364
May	1403-1408	+28.5	1408-1394
July	1420-1428	+22.5	1420-1406
Sept.	1435-1443	+21.0	1436-1422

Sales: 3,193 (1,331) lots of 10 tonnes.

ICCO indicator prices (US cents per pound). Daily price for July 2: 87.52 (88.50); five-day average for July 3: 87.15 (86.77).

COFFEE

New contract lows were reached in extremely thin conditions, report Drexel Burnham Lambert. Without trading support from New York since Wednesday, London suffered as traders were reluctant to enter the market. Light commission house selling took levels down £40 but the £1,600 level on September held and despite New York weakness prices rallied on the close. The Brazilian weather continues to be unseasonably warm.

COFFEE	Yesterday Close	+ or −	Business Done
July	1596-1601	−9.0	1600-1572
Sept.	1630-1633	−11.5	1655-1600
Nov.	1664-1668	−12.0	1678-1648
Jan.	1700-1710	−10.0	1705-1676
Mar.	1725-1745	−10.0	1730-1710
May	1750-1775	−15.0	1766-1755
July	1780-1880	—	1775-1775

Sales: 2,379 (2,101) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for July 2: Comp. daily 1979 138.31 (143.43); 15-day average 147.04 (147.88).

SOYABEAN MEAL

	Y'sterd'y's close £ per tonne	+ or −	Business Done
August	110.5-119.5	−0.40	—
October	110.9-120.5	−0.45	119.0
Dec.	120.5-120.6	−0.25	120.0
Feb.	123.0-124.0	−0.65	121.0-120.5
Apr.	124.9-125.0	−0.25	—
June	122.0-124.0	—	125.5
August	122.0-125.8	—	—

Sales: 31 (359) lots of 20 tonnes.

GRAINS

July wheat reversed its recent trend with aggressive long liquidation reflecting speculation over lower intervention release prices. New crops steadied on shipper support but then finding trade selling at higher levels, reports T. G. Roddick.

WHEAT Mnth	Yesterday's close	+ or −	BARLEY Yest'rdy's close	+ or −
July	114.60	−6.50	—	—
Sept.	99.50	+0.25	98.85	+0.10
Nov	102.45	+0.20	102.40	+0.10
Jan.	105.60	+0.15	105.60	+0.15
Mar.	108.00	+0.20	107.95	+0.15
May.	110.50	+0.25	109.55	+0.10

LONDON GRAINS—Wheat: US dark northern spring No 1 15 per cent, July 95.75, Aug 96.25, Sept 94.25 sellers transhipment east coast. US No 2 soft red winter, July 87.50, Aug 86.75, Sept 87.50. EEC, second-half July 117.00. English feed fob, Sept 101.00/101.75, Oct/Dec 105.75/106.50 Jan/Mar 110.75/111.50, Apr/June 114.50/115.25 buyer/sellers. Maize: US No 3 yellow/French transhipment east coast, July 135.00. Barley: English feed fob, Aug 99.50/100.00, Sept 101.00/102.50, Oct/Dec 106.00/106.50, Jan/Mar 110.75/111.50 buyer/sellers.

Business done—Wheat: July 113.00-4.50, Sept 99.45-9.00, Nov 102.50-2.05, Jan 105.60-5.30, Mar and May untraded. Sales: 106 lots of 100 tonnes. Barley: Sept 98.85-8.60, Nov 102.40-2.20, Jan 106.60-5.50, Mar 107.95-7.85, May untraded. Sales: 48 lots of 100 tonnes.

HGCA—Locational ex-farm spot prices. Feed barley: E Mids 95.00. The UK monetary coefficient for the week beginning Monday July 14 (based on HGCA calculations using four days' exchange rates) is expected to be unchanged.

TEA

27,418 packages were on offer at the London Tea Auction, including 2,600 packages in the offshore section, reports the Tea Brokers' Association. There was an improved demand except for the blainest sorts. Bright and coloury medium East African CTCs met strong competition and often gained 5-10p, while others were firm to dearer. Better liquoring Central Africans frequently advanced with the remainder about steady, apart from poor leafed brokens and dusts which were neglected. Ceylons came in for much more enquiry than of late and prices were sometimes appreciably dearer. South Indians opened steady but closed weak. Brighter offshore teas sold well at substantially dearer rates but others tended easier. Quotations: quality 196p a kg nominal (190p); medium 155p a kg (150p); low medium 94p a kg (92p).

POTATOES

Up to two inches of weekend rain resulted in the market opening £7.00 down. This dip was short-lived and by mid-morning gains of £9.00 were posted as traders doubted the benefit of the weekend weather. The afternoon saw a further rise with stop-loss buying adding to the momentum, reports Coley and Harper.

Month	Yesterdays close £ per tonne	Previous close	Business done
Nov	115.80	110.50	117.00-102.00
Feb	199.00	121.00	120.00-119.00
Apr	171.00	160.00	171.50-153.00
May	181.50	168.00	180.00-178.00
Nov	68.00	80.00	—

Sales: 1,709 (1,838) lots of 40 tonnes.

Earlies—July 105.50, +18.00, 85.00; Aug 70.00, −5.50; Sept 85.00, +4.50. Sales: 10 lots of 10 tonnes.

OIL

15-day Brent traded actively for August and September with prices being talked 10 to 20c below Friday's levels for September Brent. Nymex WTI opened 69c down for August and traded in a narrow 30c range during the morning to close 72c down by 1.30 pm EDT. In the petroleum products market gas oil and naphtha prices continued weak with few buyers seen. Fuel oil was stable in thin trade—Petroleum Argus, London.

CRUDE OIL—FOB ($ per barrel)—July	Latest	Change + or −
Arab Light	—	
Arab Heavy	—	
Dubai	8.40-8.50*	−0.35
Brent Blend	9.85-10.00	−0.075
W.T.I. (1pm est)	11.25-11.30*	
Forcados (Nigeria)	—	
Urals (cif NWE)	—	

PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	150-154	−4
Gas Oil	90-90	−0.5
Heavy fuel oil	47-49	—
Naphtha	87-89	−1

* August.

Petroleum Argus estimates.

GAS OIL FUTURES

Month	Yest'rday's Close US $ per tonne	+ or −	Business Done
July	93.00	−1.00	94.50-92.75
Aug	97.50	+0.50	97.75-96.00
Sep	100.50	—	101.00-99.50
Oct	105.00	+1.00	105.00-05.00
Nov	107.00	−1.00	105.00-07.00
Dec	109.50	−0.50	110.00-05.50
Jan	111.50	—	—

Turnover: 2,250 (2,626) lots of 100 tonnes.

RUBBER

PHYSICALS—The London market opened slightly steadier, attracted little interest throughout the day and closed inactive, reports Lewis and Peat. Closing prices (buyers): Spot 50.00p (same): Aug 55.25p (55.00p): Sept 55.25p (55.00p). The Kuala Lumpur fob price (Malaysian cents per kg): RSS No. 1 203.0 (202.0) and SMR 187.5 (same).

FUTURES—Index 553, Aug 549-555, Sept 548-555, Oct-Dec 547-554, Jan-March 572-578, April-June 570-575, July-Sept 572-578. Sales: 2.

COTTON

LIVERPOOL—Spot and shipment sales for the week commencing June 30 amounted to 701 tonnes against only 222 tonnes in the previous week. Improved demand brought business in Sudanese, Spanish, American, Pakistani and West African varieties.

SUGAR

LONDON DAILY PRICE—Raw sugar $144.50 (£93.50), unchanged (unchanged) a tonne for July-August delivery. White sugar $174.50, unchanged.

No. 6 Contract	Yest'rdy's close	Previous close	Business done
	$ per tonne F.O.B.		
Aug	123.0-124.0	132.8-133.2	133.0-121.8
Oct	133.0-133.2	142.8-143.0	143.0-130.8
Dec	138.0-139.0	147.6-148.0	148.6-136.8
Mar	146.8-146.9	156.0	156.5-156.8-145.8
May	150.2-150.5	168.4-161.8	155.2-149.6
Aug	154.0-155.2	165.4-166.8	155.8-152.6
Oct	158.0-159.2	170.2-171.8	161.4-158.4

Sales: 525 (424) lots of 50 tonnes.

The market was initially steady but later New York resumed its pre-holiday decline and losses of $10 were recorded, reports C. Czarnikow.

Sales: 4,121 (525) lots of 50 tonnes.

Tate & Lyle delivery price for granulated basis sugar was £196.50 (£196.00) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports.) Prices for July 2: Daily price 5.65 (3.05); 15-day average 5.98 (6.04).

PARIS—(FFr per tonne): Aug 1165/1175, Oct 1209/1215, Dec 1235/1255, Mar 1288/1300, May 1330/1345, Aug 1380/1390.

FREIGHT FUTURES

	Close	High/Low	Prev.
Dry Cargo			
July	570/574	569	570/573
Oct.	645/648	645/643	650/651
Jan.	272/675	673/671	685/684
April	745/747	745	743/745
July	625/670	—	682/670
Oct.	720/753	725/715	680/725
Jan.	726/765	—	725/765
Apr.	810/890	—	900
BFI.	581.0		582.0

Turnover: 82 (72).

	Close	High/Low	Prev.
Tankers			
July	1000/1135	1010	1000/1025
Aug	980/1025	995	1000/1040
Sep	1000/1050	1030	1005/1075
Dec	1050/1175	—	1050/1100
Mar	1125/1155	—	1100/1150
June	1100/1130	—	1100/1155
BTI.	1121.5	—	1154

Turnover: 45 (33).

US MARKETS

NYMEX PLATINUM futures held their gains while Comex silver was lower and Comex gold was moderately higher, reports Heinold Commodities. Activity was very quiet and the trade was active in gold. Many traders stayed out for a long vacation, which accounted for the light volume. Although platinum was supported by reports of continued unrest in South Africa, lack of concrete news because of the news blackout caused prices to drift off the session highs.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
July	52.05	52.50	52.10	52.75
August	52.38	—	—	53.05
Sept	52.70	53.10	52.70	53.40
Dec	53.10	53.60	53.55	53.85
Jan	53.30	—	—	54.00
March	53.60	—	—	54.30
May	53.80	—	—	54.50
July	54.00	—	—	54.70
Sept	54.15	—	—	54.85
Dec	54.30	—	—	55.00

COCOA 10 tonnes, $/tonnes

	Close	High	Low	Prev
July	1803	1807	1750	1739
Sept	1858	1862	1805	1791
Dec	1916	1920	1896	1844
March	1961	1981	1921	1899
May	1990	1985	1952	1928
July	2013	—	1982	1948
Sept	2030	2030	2020	1977
Dec	2070	—	—	2010

COFFEE "C" 37,500 lb, cents/lb

	Close	High	Low	Prev
July	164.00	164.00	155.00	160.00
Sept	164.31	164.80	157.00	163.76
Dec	168.89	169.50	167.81	171.61
March	172.08	172.25	171.75	175.75
May	174.35	—	—	176.75
July	177.10	—	—	179.76
Sept	179.10	—	—	180.00
Dec	179.50	—	—	181.00

COPPER 25,000 lb, cents/lb

	Close	High	Low	Prev
July	59.00	60.35	58.90	60.00
August	59.30	—	—	60.30
Sept	59.70	60.95	59.60	60.65
Dec	60.40	61.60	60.30	61.25
Jan	60.55	—	—	61.40
March	60.60	61.95	61.00	61.70
May	61.20	61.95	61.25	61.95
July	61.45	62.20	61.70	62.20
Sept	61.70	62.30	62.00	62.40

COTTON 50,000 lbs, cents/lb

	Close	High	Low	Prev
July	69.50	69.50	69.10	69.02
Oct	32.36	32.48	31.77	31.86
Dec	32.39	32.54	32.22	32.11
March	33.15	33.20	32.77	32.82
May	33.78	33.85	33.70	33.60
July	34.49	34.69	34.40	34.30
Oct	35.75	35.95	35.75	35.75
Dec	36.85	37.00	36.85	36.87

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrels

	Latest	High	Low	Prev
August	11.15	11.50	11.15	12.00
Sept	11.12	11.46	11.10	11.96
Oct	11.27	11.55	11.23	12.00
Nov	11.43	11.75	11.15	12.12
Dec	11.59	11.95	11.56	12.24
Jan	11.65	12.05	11.65	12.27
Feb	11.60	12.10	11.75	12.35
March	11.85	12.20	11.80	12.26
April	11.90	12.00	11.90	12.34
May	12.05	12.20	12.05	12.36

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
July	344.4	—	—	343.4
August	345.9	346.8	345.0	344.9
Sept	347.5	—	—	347.0
Oct	348.9	349.8	348.4	347.8
Dec	352.1	353.0	351.0	351.1
Feb	356.4	355.7	355.7	354.4
April	358.7	359.0	358.9	357.7
June	362.0	362.3	362.3	361.1
August	365.5	—	—	364.7
Oct	369.0	—	—	368.3
Dec	372.8	—	—	372.2
Feb	376.8	—	—	376.2
April	380.9	380.5	380.5	380.4

HEATING OIL 42,000 US gallons, cents/US gallons

	Latest	High	Low	Prev
August	32.85	34.00	32.85	35.31
Sept	33.89	34.30	33.88	35.89
Oct	34.89	35.25	34.90	36.89
Nov	35.79	36.50	35.79	37.79
Dec	36.69	37.50	34.00	38.70
Jan	37.45	38.20	37.45	39.30
Feb	39.00	38.90	37.80	39.80
March	35.85	36.80	35.85	37.85
April	34.10	35.90	35.60	36.10
May	33.80	35.00	34.00	34.75

SPOT PRICES—Chicago loose lard 15.50 (same) cents per pound. Handy and Harman silver bullion 507.5 (506.0) cents per troy ounce.

ORANGE JUICE 15,000 lb, cents/lb

	Close	High	Low	Prev
July	104.90	105.00	103.00	101.15
Sept	104.90	105.10	103.40	102.80
Nov	105.95	106.05	105.25	104.30
Jan	107.60	107.50	107.00	105.75
March	109.00	109.00	108.00	107.00
May	110.00	109.90	109.90	108.00
July	111.00	—	—	109.00
Sept	112.00	—	—	110.00

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
July	436.2	438.0	429.5	425.9
Oct	437.7	438.0	432.5	429.7
Jan	440.7	440.0	436.0	432.7
April	443.7	443.1	440.0	435.7
July	447.2	448.0	446.6	439.2

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
July	506.5	508.0	508.0	505.9
August	509.3	—	—	510.0
Sept	511.7	514.5	010.0	512.5
Dec	520.1	523.0	519.5	521.2
Jan	522.9	—	—	524.1
March	528.0	531.0	527.5	529.3
May	534.2	533.5	533.5	535.8
July	539.8	543.0	543.0	541.6
Sept	546.0	—	—	548.5
Dec	555.5	560.0	555.0	557.8

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
Sept	5.60	5.99	5.53	6.11
Oct	5.85	6.21	5.77	6.25
Jan	5.98	6.34	6.09	6.40
March	6.45	6.84	6.44	6.93
May	6.61	6.97	6.01	7.11
July	6.75	7.10	6.75	7.24
Sept	6.95	—	—	7.44
Oct	7.00	7.41	7.01	7.50

CHICAGO

LIVE CATTLE 40,000 lbs, cents/lb

	Close	High	Low	Prev
Aug	57.62	58.50	57.40	57.05
Oct	56.25	57.00	55.85	56.70
Dec	56.56	57.40	56.35	56.10
Feb	55.20	55.70	54.90	54.77
April	56.70	57.45	56.50	56.50
June	57.60	57.75	57.17	57.25

LIVE HOGS 30,000 lbs, cents/lb

	Close	High	Low	Prev
July	61.55	62.57	61.25	61.07
Aug	58.05	60.50	57.70	59.05
Oct	52.45	54.55	52.30	53.22
Dec	51.70	53.60	51.50	52.47
Feb	49.25	50.75	49.20	49.60
April	44.60	45.15	44.52	44.65
June	58.72	46.50	45.65	45.85
July	46.00	46.40	45.00	45.97

MAIZE 5,000 bu min, cents/56 lb bushel

	Close	High	Low	Prev
July	191.2	198.0	191.2	201.2
Sept	175.0	180.4	173.0	182.4
Dec	171.0	181.0	176.6	183.4
March	186.6	190.0	188.0	192.4
May	191.5	195.4	190.5	197.2
July	193.0	198.4	192.2	198.4
Sept	185.4	190.0	185.0	191.0

PORK BELLIES 38,000 lbs, cents/lb

	Close	High	Low	Prev
July	91.40	91.40	50.20	89.40
Aug	88.10	88.10	86.65	86.10
Feb	73.02	74.07	72.60	72.07
March	71.55	72.55	71.00	70.55
May	68.80	69.65	68.35	68.27
July	66.02	66.40	65.02	64.55

SOYABEANS 5,000 bu min, cents/60 lb bushel

	Close	High	Low	Prev
July	517.0	519.0	511.4	518.6
Aug	502.4	505.4	499.0	506.8
Sept	486.2	491.4	484.0	493.4
Nov	484.0	488.4	481.0	480.6
Jan	492.0	496.4	490.0	493.8
March	502.0	503.5	499.0	508.0
May	507.0	510.4	506.0	514.3
July	510.0	516.4	509.0	518.0
Aug	508.0	—	—	516.4

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
July	146.8	147.0	145.5	146.3
Aug	142.3	143.2	141.0	143.0
Sept	139.7	141.0	139.0	140.9
Oct	138.3	140.0	137.7	139.9
Dec	140.2	141.2	139.7	141.9
Jan	141.3	142.1	141.3	143.0
March	144.0	144.5	144.0	145.4
May	146.8	146.8	146.8	148.2
July	148.5	148.5	147.5	149.7

SOYABEAN OIL 60,000 lbs, cents/lb

	Close	High	Low	Prev
July	16.40	16.40	16.09	16.35
Aug	16.46	16.90	16.18	16.46
Sept	16.60	16.60	16.30	16.60
Oct	16.60	16.65	16.33	16.65
Dec	16.97	17.00	16.85	17.01
Jan	17.02	17.10	16.85	17.15
March	17.32	17.40	17.20	17.45
May	17.70	17.70	17.58	17.85
July	18.06	18.06	17.76	18.12
Aug	18.00	18.00	17.89	17.98

WHEAT 5,000 bu min, cents/60 lb bushel

	Close	High	Low	Prev
July	245.4	249.0	245.2	250.0
Sept	242.2	249.0	242.0	245.2
Dec	245.2	248.0	245.0	249.4
March	243.6	246.4	243.4	247.0
May	233.0	236.0	233.4	237.0
July	233.4	226.0	223.4	228.4

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar recovers from record low

The dollar attracted renewed buying yesterday afternoon, helping to erase earlier losses. Short covering developed especially after the opening of New York as the expected dollar sell off failed to materialise. The US unit did touch a record low of Y158.90 in Tokyo and touched Y159.05 in London as the market reacted to news of a resounding victory in Sunday's general election for the ruling Liberal Democratic party.

The fall in Japan came despite heavy intervention by the Bank of Japan. Trading in London was more cautious however with dealers unsure as to whether another free fall would prompt the Bundesbank to lend support. As a result those who had gone short, expecting the dollar to fall, were obliged to cover positions later in the day. The US Supreme Court's decision against the Gramm-Rudman balanced budget agreement also lent background support.

The dollar closed at Y160.75 up from Y160.50 on Friday and DM 2.1835 from DM 2.1755. At one point it had been as low as DM 2.1600. Elsewhere it recovered to SFr 1.7810 from SFr 1.7650 and FFr 6.9875 compared with FFr 6.9475. On Bank of England figures, the dollar's exchange rate index rose to 113.5 from 113.4.

STERLING — Trading range against the dollar in 1986 is 1.5555 to 1.3700. June average 1.5809. Exchange rate index fell to 75.8 from an opening of 76.1 and Friday's close of 76.0. The six-months-ago figure was 77.5.

Sterling finished towards the day's lows, losing ground to the dollar and just managing to hold its own elsewhere. Today's money supply figures are not expected to provide much encouragement although the relatively high level of UK interest rates has given the pound underlying support. Weak oil prices were a factor working against the pound.

Against the dollar it closed at $1.5345, down from $1.5370. Against the D-Mark it finished at DM 3.35 up from DM 3.3450 and SFr 2.7325 from SFr 2.7125. It was unchanged against the yen at Y246.75 but rose to FFr 10.7225 from FFr 10.6775.

D-MARK — Trading range against the dollar in 1986 is 2.4719 to 2.1640. June average 2.3320. Exchange rate index 135.7 against 131.9 six months ago.

The D-Mark was confined to a fairly narrow range in Frankfurt, after an initial mark down in line with the dollar's sharp fall in Tokyo. Intervention by the Bank of Japan and speculation that the Bundesbank would also stop the dollar from free falling tended to keep trading on the quiet side. Consequently the dollar came back from its early lows on a little short covering. There was no intervention at the fixing when the US unit was quoted at DM 2.1694 from DM 2.1723. Further dollar buying towards the close initiated a bear squeeze, triggering stop loss buying so that the dollar finished at DM 2.1705 compared with DM 2.1725 on Friday.

JAPANESE YEN — Trading range against the dollar in 1986 is 202.70 to 160.75. June average 167.50. Exchange rate index 212.6 against 176.3 six months ago.

The yen rose to a record high against the dollar in Tokyo yesterday. An overwhelming victory by the ruling Liberal Democratic party underpinned the yen and the dollar fell to an all-time low of Y158.90 despite intervention by the Bank of Japan. It closed at Y159.25 down from Y160.90 on Friday. Dealers were now looking for the dollar to decline further with a base of around Y155.0.

£ IN NEW YORK

July 7	Latest	Prev. close
£ Spot	$1.5540-1.5555	$1.5455-1.5465
1 month	0.47-0.44pm	0.43-0.40pm
3 months	1.26-1.22pm	1.16-1.19pm
12 months	4.12-4.03pm	3.95-3.85pm

Forward premiums and discounts apply to the US dollar

POUND SPOT—FORWARD AGAINST POUND

July 7	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5320-1.5500	1.5340-1.5350	0.47-0.44c pm	3.56	1.26-1.21pm	3.22
Canada	2.1146-2.1380	2.1146-2.1175	0.41-0.31c pm	2.04	0.87-0.73pm	1.51
Nethlnd.	3.75½-3.77¾	3.76¾-3.77¾	1⅛-1⅛c pm	3.98	3⅛-3⅛pm	3.71
Belgium	68.26-68.71	68.30-68.40	21-16c pm	3.25	51-45pm	2.81
Denmark	12.39½-12.47¾	12.46¾-12.47¾	2-1⅛ore pm	1.62	4⅛-3⅛pm	1.25
Ireland	1.1070-1.1125	1.1070-1.1090	0.12-0.05p pm	0.92	0.30-0.10pm	0.72
W. Ger.	3.33¾-3.35½	3.34½-3.35½	1⅞-1⅝pf pm	6.27	4½-4¼pm	5.22
Portugal	225.80-229.71	226.80-227.50	55-215c dis	−7.18	205-680dis	−7.81
Spain	212.34-214.05	212.54-212.84	75-125c dis	−5.64	280-340dis	−5.83
Italy	2,287½-2,301½	2,296½-2,297½	2-7lire dis	−2.36	8-15dis	−2.00
Norway	11.40⅞-11.48½	11.41½-11.42½	3½-4½ore dis	−4.01	12-12½dis	−4.33
France	10.67½-10.72¾	10.71¾-10.72¾	3½-2½c pm	3.22	7-6½pm	2.45
Sweden	10.83¾-10.91½	10.87½-10.88½	¼ore pm-¼dis	—	½-¼dis	−0.16
Japan	246-247¼	246½-247½	1½-1¼y pm	6.08	3½-3¼pm	5.27
Austria	23.38-23.56	23.38-23.41	11⅞-10½gro pm	0.74	29-26½pm	4.71
Switz.	2.70¾-2.73¾	2.72¾-2.73¾	1⅞-1⅝c pm	5.49	3½-3¼pm	4.94

Belgian rate is for convertible francs. Financial franc 68.75-68.85. Six-month forward dollar 2.29-2.22c pm, 12-month 4.10-4.00c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

July 7	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5320-1.5500	1.5340-1.5350	0.47-0.44c pm	3.56	1.26-1.21pm	3.22
Ireland†	1.3780-1.3958	1.3790-1.3800	0.45-0.20c pm	2.80	1.05-0.70pm	2.52
Canada	1.3780-1.3890	1.3790-1.3800	0.16-0.19c dis	−1.52	0.57-0.61dis	−1.71
Nethlnd.	2.4230-2.4640	2.4580-2.4590	0.15-0.10c pm	0.61	0.29-0.24pm	0.80
Belgium	44.28-44.60	44.50-44.60	par-2c dis	−0.27	2-4dis	−0.27
Denmark	8.01-8.13¼	8.12½-8.13	0.75-1.25ore dis	−1.48	2.75-3.25dis	−1.51
W. Ger.	2.1600-2.1865	2.1830-2.1840	0.47-0.44pf pm	2.52	1.18-1.13pm	2.13
Portugal	147½-149	148-149½	80-180c dis	−10.52	250-550dis	−10.79
Spain	137.85-139.00	138.80-138.90	80-130c dis	−9.12	250-350dis	−6.65
Italy	1,482-1,499	1,496½-1,497½	6-8½lira dis	−5.85	17½-21dis	−5.17
Norway	7.40¼-7.44½	7.44-7.44½	4.60-5.00ore dis	−7.75	13.65-14.05d	−7.46
France	6.8070-6.9900	6.9850-6.9900	0.10-0.25c dis	−0.30	0.95-1.25dis	−0.64
Sweden	7.03¼-7.09¾	7.08¾-7.09¼	2.00-2.20ore dis	−3.57	5.70-6.00dis	−3.31
Japan	159.05-160.85	160.70-160.80	0.37-0.32y pm	2.58	0.91-0.86pm	2.21
Austria	15.19½-16.29¾	16.29½-16.29¾	3-2gro pm	1.97	8-5pm	1.71
Switz.	1.7600-1.7815	1.7805-1.7815	0.35-0.30c pm	2.22	0.85-0.79pm	1.1

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

Belgian rate is for convertible francs. Financial franc 44.80-44.90.

EXCHANGE CROSS RATES

July 7	£	$	DM	YEN	F Fr.	S Fr.	H FL	Lira	C $	B Fr.
£	1.	1.555	3.350	246.8	10.72	2.756	3.773	2297.	2.116	68.60
$	0.659	1.	2.184	160.8	6.988	1.781	2.450	1497.	1.379	44.55
DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YEN	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
F Fr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
S Fr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
H FL	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C $	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B Fr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

EURO-CURRENCY INTEREST RATES

July 7	Short term	7 Days notice	Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
U.S. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sw. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Deutschmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fr. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B.Fr.(Fin)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B.Fr.(Con)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Kroner	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $(Sing)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long-term Eurodollars: two years 7⅛-7½ per cent; three years 7½-7¾ per cent; four years 7¾-8 per cent; five years 8-8¼ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

CURRENCY MOVEMENTS

July 7	Bank of England Index	Morgan Guaranty Change %
Sterling	70.8	−10.0
U.S. dollar	[illegible]	[illegible]
Canadian dollar	[illegible]	[illegible]
Austrian schilling	[illegible]	[illegible]
Belgian franc	[illegible]	[illegible]
Danish Kroner	[illegible]	[illegible]
Deutsche mark	[illegible]	[illegible]
Swiss franc	[illegible]	[illegible]
Guilder	[illegible]	[illegible]
French franc	[illegible]	[illegible]
Lira	[illegible]	[illegible]
Yen	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

July 7	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	[illegible]	[illegible]
US $	[illegible]	[illegible]	[illegible]
Canadian $	[illegible]	[illegible]	[illegible]
Austria Sch	[illegible]	[illegible]	[illegible]
Belgian Fr	[illegible]	[illegible]	[illegible]
Danish Kr	[illegible]	[illegible]	[illegible]
D'mark	[illegible]	[illegible]	[illegible]
Guilder	[illegible]	[illegible]	[illegible]
French Fr	[illegible]	[illegible]	[illegible]
Lira	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]
Norway Kr	[illegible]	[illegible]	[illegible]
Span'h Pta	[illegible]	[illegible]	[illegible]
Swedish Kr	[illegible]	[illegible]	[illegible]
Swiss Fr	[illegible]	[illegible]	[illegible]
Greek Dr'ch	[illegible]	[illegible]	[illegible]
Irish Punt	[illegible]	[illegible]	[illegible]

* CS/SDR rate for July 3; 1.63525. (1) SDR rate for July 4.

OTHER CURRENCIES

July 7	£	$
Argentina	[illegible]	[illegible]
Australia	[illegible]	[illegible]
Brazil	[illegible]	[illegible]
Finland	[illegible]	[illegible]
Greece	[illegible]	[illegible]
Hong Kong	[illegible]	[illegible]
Iran	[illegible]	[illegible]
Kuwait	[illegible]	[illegible]
Luxembourg	[illegible]	[illegible]
Malaysia	[illegible]	[illegible]
N. Zealand	[illegible]	[illegible]
Saudi Ar.	[illegible]	[illegible]
Singapore	[illegible]	[illegible]
S. Af. (Cm)	[illegible]	[illegible]
S. Af. (Fn)	[illegible]	[illegible]
U.A.E.	[illegible]	[illegible]

* Selling rate.

STERLING INDEX

	July 7	Previous
8.30 am	[illegible]	76.2
9.00 am	[illegible]	76.2
10.00 am	[illegible]	76.2
11.00 am	[illegible]	76.2
Noon	[illegible]	76.2
1.00 pm	[illegible]	76.1
2.00 pm	[illegible]	76.1
3.00 pm	[illegible]	76.9
4.00 pm	[illegible]	76.0

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu July 7	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
German D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Irish Punt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	1486.21	1472.32	[illegible]	[illegible]	[illegible]

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

FINANCIAL FUTURES

Weaker trend

Most prices were lower in the London International Financial Futures Exchange yesterday. The market had tried to go better in the morning on a weaker dollar but there was really very little desire to try and establish a trend before US markets opened after the long weekend. During the afternoon profit taking developed and with the US Supreme Court ruling against the Gramm-Rudman budget law so values moved to finish towards the day's lows.

Three-month Euro-dollar deposits for September delivery opened at 93.57 up from 93.55 but the opening level also proved to be the day's high despite renewed expectation of a cut in the Federal discount rate after Japan's ruling Liberal Democratic party easily won Sunday's general election. Prices drifted in the afternoon to finish at 93.53.

Three-month sterling deposits were also lower, finding little comfort from sterling as the latter slid to finish at the day's lows. Today's money supply figures are not expected to provide much encouragement either.

Long gilt futures attracted early buying up to a high of 125-08 from an opening of 124-28 for September delivery but met resistance at the highs. Buying interest dried up during the afternoon and the price fell back to close at 124-08 down from 124-27.

LIFFE LONG GILT FUTURES OPTIONS

Strike price	Calls—Last Sept	Dec	Mar	June	Puts—Last Sept	Dec	Mar	June
116	8.61	9.29	—	—	0.07	0.61	—	—
118	7.07	8.04	—	—	0.17	1.28	—	—
120	5.28	6.41	—	—	0.36	1.63	—	—
122	3.59	5.25	—	—	1.05	2.47	—	—
124	2.43	4.18	—	—	1.53	2.40	—	—
126	1.46	3.22	—	—	2.56	4.44	—	—
128	1.02	2.36	—	—	4.12	0.58	—	—
130	0.37	1.59	—	—	6.47	7.17	—	—

Estimated volume total, Calls 1,454, Puts 300
Previous day's open int, Calls 10,408, Puts 3,589

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike price	Calls—Last Sept	Dec	Mar	June	Puts—Last Sept	Dec	Mar	June
88	12.40	12.22	—	—	0.02	0.30	—	—
90	10.43	10.40	—	—	0.06	0.48	—	—
92	9.50	9.00	—	—	0.12	1.06	—	—
94	7.00	7.33	—	—	0.28	1.41	—	—
96	6.24	6.11	—	—	0.50	2.19	—	—
98	3.81	4.83	—	—	1.23	3.07	—	—
100	2.49	3.61	—	—	2.11	4.06	—	—
102	1.54	3.06	—	—	3.18	5.14	—	—

Estimated volume total, Calls 6, Puts 12
Previous day's open int, Calls 1,533, Puts 588

LIFFE £/$ OPTIONS

£25,000 (cents per £1)

[illegible]

LONDON SE £/$ OPTIONS

£12,500 (cents per £1)

[illegible]

PHILADELPHIA SE £/$ OPTIONS

£12,500 (cents per £1)

[illegible]

LIFFE—EURODOLLAR OPTIONS

$1m points of 100%

[illegible]

LONDON

20-YEAR 12% NOTIONAL GILT

[illegible]

THREE-MONTH EURODOLLAR

[illegible]

CERT DEPOSIT (IMM)

[illegible]

THREE-MONTH EURODOLLAR (IMM)

[illegible]

CHICAGO

US TREASURY BONDS (CBT)

[illegible]

10% NOTIONAL SHORT GILT

[illegible]

THREE-MONTH STERLING

[illegible]

FT-SE 100 INDEX

[illegible]

US TREASURY BILLS (IMM)

[illegible]

US TREASURY BONDS

[illegible]

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

[illegible]

IMM—STERLING $ per £

[illegible]

LIFFE—STERLING £25,000 $ per £

[illegible]

Company Notices

SKOPBANK
US$75,000,000
Floating Rate Capital Notes due 1994

Notice is hereby given that the rate of interest for the period from 7th July, 1986 to 7th January, 1987 has been fixed at 6.9375 per cent per annum.
Coupon amounts have been calculated to be US$177.29 and US$1,772.92 in respect of the US$5,000 and US$50,000 denominations respectively. Such amounts will be due upon presentation of coupon No. 5.

SWISS BANK CORPORATION INTERNATIONAL LIMITED
Reference Agent

C. ITOH & CO. LIMITED
Depositary Receipts to Bearer issued by Hambros Bank Limited
(One Depositary Share Unit Comprising 10 Depositary Shares of 50 Yen each)

Hambros Bank Limited announce that Coupon No. 48 representing the dividend due on the underlying shares for the half-year ended 31st March 1986, may be presented for payment in the usual manner at their Stock Office Counter, 41, Bishopsgate, London EC2P 2AA, or at Banque Internationale a Luxembourg S.A., 2, Boulevard Royal, Luxembourg, on or after 8th July, 1986.

The amount payable is Yen 2.5 per share (25 Yen per Depositary Unit) less Japanese Withholding Tax as applicable.

Coupons presented to Hambros Bank Limited unless accompanied by an Inland Revenue Affidavit of Non-Residence will have United Kingdom Income Tax deducted at the rate of £0.14 in the £ on the gross amount of the dividend before deduction of Japanese Withholding Tax.
8th July, 1986.

Art Galleries

LEGER, 13, Old Bond Street. ENGLISH PICTURES FOR THE COUNTRY HOUSE. Mon. to Fri 9.30-5.30.
OMELL GALLERIES, 43a, Duke St., St. James's, London SW1. Tel: 01-930 7744. An exhibition of Scandinavian paintings: "AMELLS AT OMELL'S" during July. Mon.-Fri. 9.30-5.30; Sat. 10.00-1.00.

Clubs

EVE has outlived the others because of a policy of fair play and value for money. Supper from 10-3.30 am. Disco and top musicians, glamorous hostesses, exciting floorshows. 189, Regent St., W1. 01-734 0557.

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Legal Notice

IN THE MATTER OF
THE COMPANIES ACT 1985
AND IN THE MATTER OF
THE CITY LIMITED

NOTICE IS HEREBY GIVEN, pursuant to Section 588 of the Companies Act 1985, that a meeting of the creditors of the above-named company will be held at Hill House, 1 Little New Street, London EC4A 3TR, on the 25th day of July 1986 at 10.15 in the forenoon for the purposes mentioned in Sections 589 and 590 of the said Act, i.e.:
1. The nomination of a liquidator.
2. The appointment of a committee of inspection.
Proxies to be used at the meeting must be lodged at the Registered Office of the company situate at 33-34 Chancery Lane, London WC2A 1EW, not later than 12 noon on the 24th day of July 1986.
Dated this 30th day of June 1986.
By order of the Board,
J. C. LONGLAND,
Director.

IN THE MATTER OF
THE COMPANIES ACT 1985
AND IN THE MATTER OF
SPORTING TOURS AND
PROMOTIONS LIMITED

NOTICE IS HEREBY GIVEN, pursuant to Section 588 of the Companies Act 1985, that a meeting of the creditors of the above-named company will be held at Hill House, 1 Little New Street, London EC4A 3TR, on the 25th day of July 1986 at 12.15 in the afternoon for the purposes mentioned in Sections 589 and 590 of the said Act, i.e.:
1. The nomination of a liquidator.
2. The appointment of a committee of inspection.
Proxies to be used at the meeting must be lodged at the Registered Office of the company situate at 33-34 Chancery Lane, London WC2A 1EW, not later than 12 noon on the 24th day of July 1986.
Dated this 30th day of June 1986.
By order of the Board,
J. C. LONGLAND,
Director.

IN THE MATTER OF
THE COMPANIES ACT 1985
AND IN THE MATTER OF
ALMALEAD LIMITED
(Formerly Industrial Selections and Mailing Limited)

NOTICE IS HEREBY GIVEN, pursuant to Section 588 of the Companies Act 1985, that a meeting of the creditors of the above-named company will be held at Hill House, 1 Little New Street, London EC4A 3TR, on the 25th day of July 1986 at 11.15 in the forenoon for the purposes mentioned in Sections 589 and 590 of the said Act, i.e.:
1. The nomination of a liquidator.
2. The appointment of a committee of inspection.
Proxies to be used at the meeting must be lodged at the Registered Office of the company situate at 33-34 Chancery Lane, London WC2A 1EW, not later than 12 noon on the 24th day of July 1986.
Dated this 30th day of June 1986.
By order of the Board,
J. C. LONGLAND,
Director.

MONEY MARKETS

UK rates little changed

Interest rates showed little overall change in London yesterday. Dealers were looking for a lead on interest rates, possibly through a cut in the US discount rate, reasoning that the UK authorities were unlikely to encourage a cut in base rates until then. Three month interbank money was unchanged at 9⅞-10 per cent although sterling started to show signs of weakness towards the close. Today's UK money supply figures are not expected to provide any real motivation for rates to move.

Overnight money opened at 10⅝-10¾ per cent and eased to 10 per cent around lunchtime before touching a high of 11¼ per cent. Late balances were taken down to 10 per cent.

The Bank of England forecast a shortage of around £650m with factors affecting the market including maturing assistance and a take up of Treasury bills together draining £827m and Exchequer transactions £60m. In addition banks brought forward balances £65m below target. These were partly offset by a fall in the note circulation of £325m. The Bank gave assistance in the morning of £343 through outright purchases of £40m of eligible bank bills in band 1 at 9⅞ per cent, £280m in band 2 at 9⅞ per cent and £23m in band 3 at 9¾ per cent.

Further assistance was given in the afternoon of £206m through outright purchases of £11m of eligible bank bills in band 1 at 9⅞ per cent and £195m in band 2 at 9⅞ per cent. Late assistance came to £10m, making a total of £559m.

In Frankfurt the Bundesbank announced its intention to offer a sale and repurchase agreement for 35 days at a fixed rate of 4.35 per cent. The result of the tender will be announced today and successful applicants will receive the funds tomorrow. This coincides with the maturity of a previous facility which will drain DM 13.1bn.

In Zurich major Swiss banks reduced their time deposit rates by ¼ per cent to 4¼ per cent. This is the first downward adjustment in the last half-a-dozen

UK clearing bank base lending rate, 10 per cent since May 22

NEW YORK RATES

(Lunchtime)

Prime rate	8½
Broker loan rate	8
Fed funds	[illegible]
Fed funds at intervention	[illegible]
Treasury Bills & Bonds	
One-month	5.78
Two-month	5.81
Three-month	6.08
Six-month	6.11
One-year	6.23
Two-year	6.86
Three-year	6.85
Four-year	7.03
Five-year	7.11
Seven-year	7.20
10-year	7.27
30-year	7.12

FT LONDON INTERBANK FIXING

(11.00 a.m. July 7)

Three months US dollars		Six months US dollars	
bid 6 5/8	Offer 6 3/4	bid 6 5/8	Offer 6 3/4

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

July 7	Over night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	10-11¼	10⅛-10¾	10⅛-10⅛	9⅞-10	9⅞-9⅞	9⅝-9⅞
Sterling CDs	—	—	10⅛-10¼	9¾-9⅞	9⅞-9⅞	9⅞-9⅞
Local Authority Depos	10⅛-10⅛	10⅛	10⅛	9¾-9⅛	9½-9⅞	9⅝
Local Author'y Bonds	—	—	10½	10¼	10	9¾
Discount Mkt Depos	9-10¾	10⅛-10⅝	9¾	9¼	—	—
Company Depos	10¾	10⅝-10¾	10¼-10⅜	9⅞	9⅞	9¾
Finance House Depos	—	—	10¼	10	9⅞	—
Treasury Bills (Buy)	—	—	9⅞	9⅞	—	—
Bank Bills (Buy)	—	—	9⅞	9⅞	9⅞	—
Fine Trade Bills (Buy)	—	—	10½	10¼	9⅞	—
Dollar CDs	—	—	6.80-6.85	6.55-6.00	6.50-6.55	6.6-6.65
SDR Linked Depos	—	—	6⅛-6⅛	6⅛-6⅛	6⅛-6⅛	6¼-6⅛
ECU Depos	—	—	7⅛-7½	7⅛-7⅛	7¼-7⅜	7¼-7⅜

Treasury Bills (sell): one-month 9²¹⁄₃₂ per cent: three months 9⅝ per cent. Bank Bills (sell): one-month 9²¹⁄₃₂ per cent: three months 9⅝ per cent. Treasury Bills: Average tender rate of discount 9.3040 per cent. ECGD Fixed Finance Scheme IV reference date June 4 to July 1 (inclusive) 9.524 per cent. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10 per cent from July 1 1986. Bank Deposit Rates for sums at seven days' notice 4.35-4.375 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 10 per cent; one-three months 10 per cent; three-six months 9⅝ per cent; six-nine months 9⅝ per cent; nine-12 months 9⅝ per cent. Under £100,000 9⅝ per cent from June 25. Deposits held under Series 5 9⅝ per cent. Deposits withdrawn for cash 8⅝ per cent.

MONEY RATES

July 7	Ov'rnig't	One Month	Two Months	Three Months	Six Months	Lombard Int'v'tin
Frankfurt	4.60-4.70	4.50-4.60	4.00-4.60	4.50-4.65	4.55-4.70	5.5
Paris	7⅛	7⅛-7¼	7⅛-7¼	7⅛-7¼	7⅛-7¼	7
Zurich	⅞-1⅛	4⅛-4⅛	—	4⅛-4⅛	—	—
Amsterdam	6⅛-6⅝	6⅛-6⅛	—	6⅛-6⅛	—	—
Tokyo	4.03125	4.65625	—	4.71875	—	—
Milan	12⅝-12¾	12-12⅝	—	11⅞-12¼	—	—
Brussels	5.10	7⅛-7¼	—	7⅛-7¼	—	—
Dublin	9⅞-9⅞	9⅞-9⅞	9⅞-9⅞	9¼-9⅝	9⅛-9⅝	—

£ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on July 7, 1986. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates; (cm) commercial rate; (ch) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non commercial rate; (nom) nominal; (o) official rate; (sg) selling rate; (c) controlled rate.

COUNTRY	CURRENCY	VALUE OF £ STERLING
Afghanistan	Afghani	99.00
Albania	Lek	10.11
Algeria	Dinar	7.54
Andorra	French Franc	10.7225
	Spanish Peseta	212.69
Angola	Kwanza	46.332
Antigua	E. Caribbean $	4.158
Argentina	Austral	1.3720
Aruba	Florin	2.76
[illegible]	[illegible]	[illegible]
Bermuda	Bermudian $	1.5345
Bhutan	Ngultrum	18.90
Bolivia	Bolivian Peso	(o) 2935240.0
Botswana	Pula	3.1850
Brazil	Cruzado	21.265 (20)
British Virgin Islands	U.S. $	1.5345
Brunei	Brunei $	3.3234
Bulgaria	Lev	1.3965
Burkina Faso	C.F.A. Franc	536.13
Burma	Kyat	11.0652
Burundi	Burundi Franc	159.05
Cameroon	C.F.A. Franc	536.13
Canada	Canadian $	2.116
Canary Islands	Spanish Peseta	212.69
Cape Verde Islands	Cape V. Escudo	136.98
Cayman Islands	Cayman Isles. $	1.2813
Cent. Afr. Republic	C.F.A. Franc	536.13
Chad	C.F.A. Franc	536.13
Chile	Chilean Peso	294.62
China	Renminbi Yuan	4.9203
Colombia	Col. Peso	(F) 298.48
Comoro Islands	C.F.A. Franc	536.13
Congo (Brazzaville)	C.F.A. Franc	536.13
Costa Rica	Colon	(U) 85.9782
Cuba	Cuban Peso	1.3370
Cyprus	Cyprus £	0.7625
Czechoslovakia	Koruna	(com) 9.01
		n/c 15.84
		(T) 15.04
Denmark	Danish Kroner	12.4725
Djibouti Republic of	Djibouti Franc	270.0
Dominica	E. Caribbean $	4.158
Dominican Republic	Dominican Peso	4.30 (7)
Ecuador	Sucre	(o) 168.30
		(F) 257.80
Egypt	Egyptian £	(o) 1.2736
		(7) 2.06
El Salvador	Colon	7.7025
Equatorial Guinea	C.F.A. Franc	536.13
Ethiopia	Ethiopian Birr	3.20
Falkland Islands	Falkland Isles. £	1.0
Faroe Islands	Danish Kroner	12.4725
Fiji Islands	Fiji $	1.7497
Finland	Markka	7.8070
France	Franc	10.7225
French C'ty in Africa	C.F.A. Franc	536.13
French Guiana	Local Franc	10.7225
French Pacific Islands	C.F.P. Franc	189.0
Gabon	C.F.A. Franc	536.13
Gambia	Dalasi	11.15
Germany (East)	Ostmark	3.35
Germany (West)	Deutsche Mark	3.35
Ghana	Cedi	139.68
Gibraltar	Gibraltar £	1.0
Greece	Drachma	214.41
Greenland	Danish Krone	12.4725
Grenada	E. Caribbean $	4.158
Guadaloupe	Local Franc	10.7225
Guam	U.S. $	1.5345
Guatemala	Quetzal	1.5345
Guinea	Franc	523.60 (19)
[illegible]	[illegible]	[illegible]
Israel	Shekel	[illegible]
Italy	Lira	[illegible]
Ivory Coast	C.F.A. Franc	[illegible]
Jamaica	Jamaican $	[illegible]
Japan	Yen	[illegible]
Jordan	Jordanian Dinar	[illegible]
Kampuchea	Riel	[illegible]
Kenya	Kenya Shilling	[illegible]
Kiribati	Australian $	[illegible]
Korea (North)	Won	[illegible]
Korea (South)	Won	[illegible]
Kuwait	Kuwaiti Dinar	[illegible]
Laos	New Kip	[illegible]
Lebanon	Lebanese £	[illegible]
Lesotho	Maloti	[illegible]
Liberia	Liberian $	[illegible]
Libya	Libyan Dinar	[illegible]
Liechtenstein	Swiss Franc	[illegible]
Luxembourg	Luxembourg Franc	[illegible]
Macao	Pataca	[illegible]
Madeira	Portuguese Escudo	[illegible]
Malagasy Republic	M.G. Franc	[illegible]
Malawi	Kwacha	[illegible]
Malaysia	Ringgit	[illegible]
Maldive Islands	Rufiya	[illegible]
Mali Republic	C.F.A. Franc	[illegible]
Malta	Maltese £	[illegible]
Martinique	Local Franc	[illegible]
Mauritania	Ouguiya	[illegible]
Mauritius	Mauritian Rupee	[illegible]
Mexico	Mexican Peso	[illegible]
Miquelon	Local Franc	[illegible]
Monaco	French Franc	[illegible]
Mongolia	Tugrik	[illegible]
Montserrat	E. Caribbean $	[illegible]
Morocco	Dirham	[illegible]
Mozambique	Metical	[illegible]
Namibia	S.A. Rand	[illegible]
Nauru Islands	Australian $	[illegible]
Nepal	Nepalese Rupee	[illegible]
Netherlands	Guilder	[illegible]
Netherland Antilles	Antillian Guilder	[illegible]
New Zealand	N.Z. $	[illegible]
Nicaragua	Cordoba	[illegible]
Niger Republic	C.F.A. Franc	[illegible]
Nigeria	Naira	[illegible]
Norway	Norwegian Krone	[illegible]
Oman Sultanate of	Rial Omani	[illegible]
Pakistan	Pakistan Rupee	[illegible]
Panama	Balboa	1.5345
Papua New Guinea	Kina	1.4779
Paraguay	Guarani	(369.72 (10)
		1039.83 (7)
Peru	Inti	exc(A)21.48(16)
Philippines	Philippine Peso	31.00
Pitcairn Islands	£ Sterling	—
	New Zealand $	2.8815
Poland	Zloty	252.78
[illegible]	[illegible]	[illegible]

§Rate is the transfer market (controlled). ‡‡ Now one official rate. (1) Essential goods. [illegible] sector debt and essential imports. (5) Preferential rate. (6) Free rate for luxury imports, remittances [illegible] exports. (14) Nearly all business transactions. (15) Vietnam:—1 new dong equals 10 old dongs. [illegible] (18) Aruba florin—new currency introduced January 1, 1986. (19) Guinea Republic—franc, new [illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

1986 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
102⅛	100½	Exch. 14pc 1986	101⅛	−⅛	13.84	9.73
98⅝	94⅞	Exch. 2½pc 1986	98⅛	+⅛	2.54	7.10
102⅞	100⅛	Exch 13¼pc 1987	102⅛xd	−⅛	12.98	9.20
100⅞	97⅛	Treas 10¼pcCv '87	100½xd	−⅛	10.20	9.38
97⅞	92⅞	Exch 2½pc 1987	97⅛	−¼	2.57	6.89
101¼	97½	Exch. 10½pc 1987	100⅞	−⅛	10.43	9.44
98⅝	93⅝	Funding 6½pc '85-87‡‡	98¼	......	6.62	8.72
101¼	96⅞	Treas. 10pc 1987	100½	−⅛	9.95	9.40
97⅛	90⅞	Treas 3pc 1987	96¼xd	+⅛	3.11	6.75
104½	99¼	Treas. 12pc 1987	103⅛	−⅛	11.63	9.30
99¼	92⅞	Treas 7¾pc 1985-88‡‡	98⅛xd	−⅛	7.88	8.93
104	96¼	Exch 10½pc '88	102⅛	−⅛	10.25	9.00
102⅞	95¼	Treas 9¾pc Cv '88	101⅛	−⅛	9.64	9.05
94¼	86¾	Transport 3pc '78-88	93⅛xd	−⅛	3.25	6.73
102½	93⅞	Treas. 9½pc '88	100¾	−⅛	9.43	9.10
107⅞	98⅛	Treas 11½pc 1989	105¼	−⅛	10.93	9.13
103½	93¼	Treas 9½pc Cnv. '89	101⅝	+¼	9.38	8.94
92¼	82⅛	Treas 3pc 1989	90⅛	−⅛	3.33	6.84
105⅞	95⅛	Treas 10½pc 1989	103⅝	−⅛	10.13	9.06
104⅞	94¼	Exch.10pc 1989	102⅞xd		9.75	9.04
107⅞	97	Exch 11pc 1989	105⅞	−⅛	10.45	9.03
93⅞	84½	Treas 5pc 1986-89	92⅛	+⅛	5.43	7.78
110⅞	98⅝	Exch 10¼pcCv '89	107⅞	+⅛	9.55	7.71
114⅞	103⅛	Treas 13pc 1990‡‡	111¾xd	−⅛	11.63	9.02
108¼	97¼	Exch 11pc 1990‡‡	106xd	..	10.38	9.01
113¼	101⅞	Exch. 12½pc 1990	110⅞	−⅛	11.29	9.02
89¼	79⅝	Treas. 3pc 1990	87⅛	+⅛	3.43	6.77
100⅛	89¼	Treas 8¼pc 1987-90‡‡	98⅝	.	8.39	8.74
106⅛	93	Treas. 10pcCv 1990	103½	−⅛	9.66	0.98
86⅛	76½	Exch 2½pc 1990	84⅞	..	2.95	6.52
112⅛	99⅛	Treas 11¾pc 1991	110xd	−⅛	10.68	8.99
94¼	83⅛	Funding 5¾pc '87-91‡‡	92⅞	−⅛	6.19	7.54
86¼	85	Treas. 3pc 1991●	85¼	+⅛	3.51	6.57
		Five to Fifteen Years				
110⅝	96⅛	Exch. 11pc 1991	108¼	−¼	10.16	8.93
118¼	103⅝	Treas 12¾pc 1992‡‡	115⅞xd	−¼	11.00	9.01
107⅞	92⅞	Treas 10pc 1992	104¼	−¼	9.60	8.98
109¼	94⅛	Treas 10½pc Cv 1992‡‡	106⅝	−¼	9.85	8.98
117¼	101⅛	Exch 12¼pc '92	114¼	...	10.72	9.16
125¼	106⅞	Exch 13½pc 1992	119⅞	−¼	11.26	9.20
108	94¼	Treas 10pc 1993‡‡	105¼	−¼	9.51	8.94
120⅞	103½	Treas 12½pc 1993‡‡	117xd	−¼	10.68	9.14
92	78⅞	Funding 6pc 1993‡‡	91⅞	−¼	6.53	7.47
128¼	109⅞	Treas 13¾pc 1993‡‡	123⅞	..	11.10	9.20
133⅞	114⅛	Treas 14½pc 1994‡‡	129⅝	+¼	11.23	9.12
127¼	108½	Exch 13½pc 1994	123⅛	...	10.96	9.26
122¼	103⅞	Exch. 12½pc 1994	118	+¼	10.59	9.30
104	86¾	Treas 9pc 1994‡‡	99¾	−¼	9.02	9.03
120⅞	101½	Treas 12pc 1995	116xd	.	10.34	9.25
79	68⅛	Gas 3pc '90-95	79	+¼	3.80	6.20
110½	92¼	Exch. 10¼pc 1995	106¼xd	−¼	9.64	9.20
126¼	106¼	Treas 12¾pc 1995‡‡	121½	...	10.49	9.25
133¼	113	Treas. 14pc '96	128½xd	..	10.89	9.41

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

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DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

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ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INDUSTRIALS—Continued

1986 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
317	210	Morgan Crucible	305	–3	8.5	1.7	3.9	19.1
23½	15½	♦Morris (W) F.A. 20p	20	....	—	—	—	—
139	96	Moss (Robt.) 10p	132	....	♦3.9	2.7	3.5	14.1
141	65	Myson Grp 10p	141	+1	2.63	2.6	2.6	18.2
365	259	♦NMW Computers	385	–10	6.0	3.0	2.8	17.5
40	27	Nash Inds.	38	....	†0.5	—	1.9	—
*27½	15½	Neil & Spencer 10p	25	+1½	—	—	—	—
38	28	Newman Inds. 10p	36	+1	0.8	1.2	3.2	(34.6)
65	44	Nelton	51	–1	†0.95	7.0	2.6	7.3
138	96	♦Norank Systems 5p	130	....	u3.0	♦	3.2	♦
286	187	Norcros	286	+2	9.3	2.2	4.7	13.4
138	49	Nu-Swift 5p	138	+6	3.5	2.1	3.6	18.6
£303	£228	OCE 9pc Cnv 1987-92	£292	....	Q9%	—	(3.1)	—
118	80	Oakwood Grp.	98	+10	‡5.0	1.3	‡	13.6
250	203	Office & Elect.	238	+1	8.5	2.9	5.0	9.7
102	70	Oldacre 20p	102	+7	†4.8	2.6	5.5	9.0
36	24	♦Optometrics $0.01	24	....	—	—	—	—
800	500	Oriflame £1	800	+5	24.5	2.1	4.3	15.5
10	6	Overstone 12½p	6	....	g0.29d	1.9	14.1	3.7
		For Ozalid 9pc Cnv see OCE 9pc Cnv						
242	85	♦PCT Grp 10p	233	....	3.2	2.2	5.0	(12.7)
£20½	950	PLM 'B' Sk 25	£15½	+¼	Q23.2%	0.3	4.3	—
184	114	PSA Intl	174	–1	♦5.5	2.1	4.5	13.2
255	167	♦Pacer Systems $0.01	220	....	[illegible]	3.4	1.2	24.5
78	56	♦Pacific Sales 10p	64	....	5.0	2.1	6.6	8.4
342	225	Park Place 10p	330	....	♦16.25	1.9	2.7	77.7
445	246	Parker Knoll 'A'	438	....	†9.5	2.9	3.1	11.9
545	208	♦Parkfield Group 5p	540	–5	†2.4	2.4	0.6	90.9
53	30	♦Pavion Intl	34	....	—	—	—	9.6
£130	£92	Do 11pc CvLn '99-02	£103	+1	Q11%	—	11.1	—
608	393	Pearson	568	–35	10.0	2.8	2.5	19.0
26	12	Peek Holdings 7p	20	....	—	—	—	—
130	88	Peerless	120	–5	6.3	—	7.4	—
£10½	283	Pentland 10p	£10	....	1.5	22.4	0.2	28.3
£14	775	Photo-Me	£12	....	†5.08	8.3	0.6	†
475	311	Pilkington Br. £1	418	+5	13.5	♦	4.5	♦
£300	£293	Pitney-Bowes Cnv. Ln.	£300	....	Q5½%	—	1.4	—

[illegible]

LEISURE—Continued

1986 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
115	58	♦Leisuretime Int 10p	100	....	72.3	♦	3.3	[illegible]
117	100	♦Lewmar	115	....	u2.63	3.0	3.2	[illegible]
220	145	♦Media Tech Int.20p	160	....	L2.58	5.4	2.3	[illegible]
175	140	Medminster 10p	145	–5	†5.35	2.7	5.2	[illegible]
220	130	♦Miss World 10p	195	....	5.2	3.3	3.8	[illegible]
90	62	Nationwide Leisure	79	–1	(3.75)	♦	6.7	[illegible]
17	10½	♦Nunsld Int 20c	13	....	—	—	—	[illegible]
35½	23	♦Owners Abroad 3p	35½	....	1.5	♦	5.9	[illegible]
90	46	Photax (Lon.)	68	+3	—	—	—	[illegible]
34	28½	♦P'dilly Radio NV 5p	31	–½	2.0	1.2	9.4	[illegible]
*68½	25½	♦Pineapple Dnc St 10p	63	....	—	—	—	[illegible]
391	280	Pleasurama 5p	305	+2	7.5	3.2	3.5	[illegible]
178	136	Do. 7pcCvCnRedPf	142	....	7%	—	6.9	—
		For Pres Entertainment see Hotels						
43	18	♦Radio City 'A' NV	50	....	—	—	—	—
48	33	♦Radio Clyde N/V	43	+3	3.25	0.9	10.6	[illegible]
393	322	Really Useful Grp 5p	390	–3	b11.25	2.2	4.1	[illegible]
64	44	Riley Leisure 10p	52	....	—	—	—	—
230	163	Saga Hols. 20p	163	....	4.6	2.6	4.0	[illegible]
355	240	Samuelson Grp 20p	240xd	–5	2.4	♦	1.4	[illegible]
129	73	♦Sargent Photo 10p	106	+4	♦2.2	♦	2.9	[illegible]
178	138	♦Scarrb 50p	150	....	4.0	3.5	3.0	[illegible]
340	175	Scott. TV 10p	335	....	10.5	3.0	4.4	[illegible]
294	114	SeaCo Inc $0.125	178	....	—	—	—	—
26	7	♦Select TV 10p	18	....	—	—	—	—
37	20	♦Spectrum 5p	22	+1	‡1.2	4.8	‡	[illegible]
46	31	TSW 5p	46	+1	†1.7	2.9	5.2	[illegible]
285	150	TVS N/Vtg 10p	266	–4	†8.0	2.5	4.3	[illegible]
188	118	♦Television Svcs 50p	138	–5	2.0	1.6	2.0	[illegible]
72	50	Tottenham Hotspur	78	–2	‡4.0	—	‡	—
96	66	♦Trakon 10p	80	....	1.1	3.3	1.9	[illegible]
260	140	♦Tyne Tees TV 'A' £1	260	+5	a10.5	♦	5.7	[illegible]
135	104	Ulster TV N/V 'A'	132	–1	†5.25	2.6	5.6	[illegible]
100	63	♦Viewplan 5p	85	+3	‡1.26	—	2.1	[illegible]
198	118	WSL 5p	195	+4	—	—	—	—
28	17½	Webb (Jos.) 5p	25	....	d0.5	0.7	2.9	[illegible]
27½	16½	♦Williams (Rex) 5p	20	....	0.91	1.0	6.4	[illegible]

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

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PAPER, PRINTING, ADVERTISING

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TOBACCOS

[illegible]

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Investment Trusts

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[illegible]

Finance, Land, etc

[illegible]

FINANCE, LAND—Cont.

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Rubbers, Palm Oil

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[illegible]

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O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsetable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- ¶ Price at time of suspension.
- § Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ‡ Not comparable.
- ▲ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ‡ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B Fr. Belgian Francs. Fr. French Francs. ♦♦ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986–87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. R Gross. ♦ Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xk ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or –
Albany Inv 20p	60xd	
Craig & Rose £1	£11	
Finlay Pkg. 5p	43	
Holt (Jos) 25p	800	
IoM Stm. £1	87	

IRISH

Stock	Price	+ or –
Fund 11¼% 1988	1103⁄₄	
Nat. 9¾% 84/89	£101	
Fin. 13% 97/02	£122⅝	
Arnotts	320	–5
CPI Hldgs	43	
Carroll Inds.	165xd	
Dublin Gas	53	
Hall (R. & H.)	75	+3
Heiton Hldgs	30	
Irish Ropes	109xd	
Unidare	200	+2

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This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £875 per annum for each security.

LONDON STOCK EXCHANGE

Account Dealing Dates
Option

*First Dealings	Declarations	Last Dealings	Account Day
June 16	June 26	June 27	July 7
June 30	July 10	July 11	July 21
July 14	July 24	July 25	Aug 4

* "New-time" dealings may take place from 9.30 am two business days earlier.

Equities hit late by Wall Street and FT-SE index loses 18.4 to 1631.0

Government bonds made further early progress but leading shares lacked assurance and eoded the session on a dejected note. From the outset the equity market appeared to be seeking a guide and leading shares drifted slightly lower in lacklustre trading conditions. The emphasis was on **British Telecom** following the Labour Party's reported threat to re-nationalise the group if it wins the next General Election. Nervous selling was triggered off and BT suffered the first real setback to close 18 down at 198p.

Other losses were modest until the US market reopeoed after the Independence Day holiday. An early collapse of nearly thirty points in the Dow Jones index upset traders and fairly soon price falls in London were doubled. Professional selling created further uncertainty and the FT indicies went sharply lower. From being 7.8 down at 11 am, the FT-SE 100 share closed 18.4 lower on balance at 1631.0.

The outcome of the Japanese elections, and hopes of lower loterest rates worldwide, further encouraged Gilt-edged investors. Awaiting the Juoe Banking statistics, due to be announced at 2.30 pm today, longer maturities moved higher for the fifth consecutive trading session. Fresh gains of ½ or so were commonplace until the US bond market started trading.

A dull tone there soon affected sentiment and prices backtracked. The reaction also reflected worries abo✓ last month's growth in money supply; forecasts of the likely rise in sterling M3 range from ½ to 1 per cent. The reactionary trend continued in the after-hours' business and all Gilts, with the exception of index-linked, settled lower on the day. Renewed hedge buying against equity commitments lifted index-linked Gilts by amounts ranging to ¼.

Merchant banks dull

Merchant banks made a distinctly dull showing following cautious Press comment. **Morgan Grenfell**, which made a disappointing market debut last week, came under further selling pressure and fell 16 to 472p — a 28p discount on the striking price of 500p. **Mercury International**, 760p, **Kleiowort Benson**, 780p, and **Brown Shipley**, 530p, all sustained falls of 10, while **Hill Samuel** gave up 8 at 392p and **Hambros** eased 3 afresh to 242p. The major clearing banks traded quietly and settled a shade lower as the tone deteriorated. **NatWest** softened 3 to 512p and **Lloyds** gave up 5 to 397p. **Standard Chartered**, in receipt of a £1.3bn bid from Lloyds, closed 8 down at 797p; elsewhere in the Banking sector, **Goode Durrant and Murray** soared 27 to 102p on the announcement that Impala Pacific Corporation of Hong Kong had acquired a 20.8 per cent stake from UK Temperance and General Provident Institution.

Reports of an unprecedented boom in mortgage-related life business gave a mild boost to Life Insurances. **Legal and General** were a firm market at 281p, up 8, while **Abbey Life** improved a couple of pence to 197p. **Prudential** hardened 5 at 897p and **Sun Life** 8 to 903p. Composites also managed modest progress, **Guardian Royal Exchange** rising 7 to 912p and **General Accident** 5 to 860p.

Precision injectioo mouldings manufacturer **Camotech**, yesterday's newcomer to the Unlisted Securities Market, opened at a *2p discount to the placing price* of 64p and slipped to 61½p before support at the lower level left an eventual close of 66p for a first-day premium of 2.

Breweries featured **Belhaven**, the Dunbar-based concern headed by Mr Nazmn Virani, which advanced 6 to 61p on takeover speculation. Somportex is still favourite to bid. Demand in a market extremely short of stock lifted **Fuller Smith and Turner** another 20 to 650p — the shares bave risen 90p since the annual figures were released towards the end of last month.

Among Buildings, scrappy selling clipped 5 from **Blne Circle** at 635p and a couple of pence from **RMC** at 664p. **Rugby Portland Cement** softened 2 to 168p, but **BPB Industries** continued to trade firmly on re-rating considerations and the close was 3 dearer at 550p. **Costain**, a firm market last week following a broker's recommendation, eased 6 to 562p, while **Barratt Developments** slipped 2 to 142p and **George Wimpey** cheapened 3 to 204p. Among the second-liners, Press comment prompted support for **McCarthy and Stone**, 15 higher at 290p and **Heywood Williams**, 5 better at 250p. **Raine Industries** were a lively market on Williams Holdings' bid bopes and touched 85p prior to closing a net 4 up at 82p. Favourable comment also aided **Wiggins** which firmed 4 to 90p, while demand in a restricted market lifted **Gleeson** 7 to 382p. **Sharpe and Fisher** attracted occasional buying interest and bardened 2 to 126p, while **Arncliffe** improved the same amount to 62p. Profit-taking clipped 8 more from **Manders** at 275p.

Reports that the company may be about to embark on the *acquisition trail coupled with the* dull opening trend on Wall Street combined to leave **ICI** 18 lower on the day at 994p. Elsewhere in the Chemical sector, **Coalite** gained 13 to 287p on I C Gas takeover bopes, while **Holt Lloyd** put on 7 to 107p following speculative buying. **R. H. Morley** touched 50p prior to closing a net 7 up at 47p in reply to a newsletter recommendation. **Sutcliffe Speakman**, unmoved *initially* by details of the return to profitability, attracted late support to close 3 better at 67p.

Stores give ground

Generally content to trade around the pre-weekend levels for much of the session, Retailers turned decidedly dull after-hours. Losses of around 6 were common to **Marks and Spencer**, 201p, **Burton**, 280p, and recent takeover favourite **Harris Queensway**, 252p. **Storehouse** dipped 7 to 330p, while **Woolworth** again gave ground following the lapsing of Dixons' bid last week, to close another 15 cbeaper at 655p. Mail-orders, heavily *supported following* the next Grattan bid situation, also met sellers for cbcice. **Freemans** closed 10 off at 452p, while **Empire** shed 6 to 208p. **Grattan** finisbed 5 lower at 533p. Secondary Stores *rarely strayed* from openirg positions, although a favourable Press mention lifted **J. W. Wassall** 15 to 70p.

Apart from weakness in **British Telecom**, other leading Electricals traded on a steadier uote. *Elsewhere*, ***HB Electronic***, still reflecting the new management team and refinancing proposals, advanced 10 more to 90p. Favourable Press mention left **Microsystems** 11 to the good at 168p, while **Cray Electronics** were also noteworthy for a similar gain at 338p.

Already a weak market in official dealings, **McKechnie Bros.** weakened further after bours to 227p, down 23p, after 225p, on news that Evered bad lapsed its offer; the latter fell 14 to 258p. Elsewbere in the Engineering sector, **Carclo** contrasted with a gain of 20 to 405p in response to the good preliminary results. **Triplex** were supported at 142p, up 6, along with **Delta**, a like amount dearer at 220p. **Hobsons**, regarded as a possible shell situation, were actively traded and closed a penny higher at 21p, after 24p.

Against the trend in a rather dull Food sector, **Glass Glover** firmed 5 to 218p following the interim results and optimistic statement. **Avana**, a firm market last week following a broker's visit to the company, ran back 10 to 544p, while profit-taking left **Bernard Matthews** 18 down at 255p and **Hazlewood** 20 lower at 820p.

Trusthouse Forte gained a penny to 161p, after 162p following Press reports that the company may acquire part of Imperial Group's catering activities from Hanson Trust for some £190m. *Profit-taking* in the absence of any bid developments left recently-firm **Norscot Hotels** 7 down at 115p.

BOC improve

The miscellaneous industrial leaders were inclined easier. However, **BOC** resisted the trend, rising 9 to 303p in response to a broker's recommendation, while **Beecham** belped by the *sale of two subsidiaries* for around £12m, improved to 441p before settling 3 firmer on balance at 438p. Elsewbere, **Pearson**, a strong market of late on persistent bid speculation, encountered profit-takirg and reacted 35 to 568p. **Bestobell**, in contrast, met with a revival of takeover speculation and touched 510p before closing 25 higher on balance at 495p. Adverse comment prompted a fall of 6 to 231p in **Diploma**, while second-half recovery hopes counteracted the announcement of lower interim profits from **Securiguard** and left the shares 6 higher on the day at 93p. Shell situation **Times Veneer** put on 3½ to 40½p, while **British Vita** were noteworthy for a rise of 10 at 322p. Satisfactory preliminary results left **Platon** 7 to the good at 170p, bot **Vinten** dipped to 120p and closed 9 lower at 127p on the annual loss. **No-Swift** firmed 6 to 138p and **Marshall Loxley** continued to make headway at 143p, up 3. Late offerings, bowever, left **Hestair** 7 lower at

Recent speculative high-flier **ERF**, the truck manufacturer, encountered profit-taking and closed 12 off at 103p. Elsewhere in Motors, **Kwik-Fit** hardened a couple of pence more to 113p, after 116p, following a Press mention, while revived takeover chatter lifted **Airflow Streamlines** 3 to 57p.

Publishers gave ground where altered. **United Newspapers** eased 7 to 393p, whila **Associated Newspapers**, scheduled to reveal interim figures tomorrow, dipped 8 to 395p. Paper/Printings highligbted **Wace** whicb advanced 3 to 75p amid persistent speculative support. Ireland's **Jefferson Smurfit** met reoewed interest and put on 7 to 202p. Amoog advertising ageocies, **Saatchi and Saatchi** fell 20 to 715p in the wake of cautious Press comment.

Press comment prompted higher opening levels for **Land Securities** and **MEPC**, but lack of follow-through support left both prices easier oo balance. After initial progress to 360p, **MEPC** drifted back to close 3 cheaper at 355p, while **Land Securities** settled a penny off at 344p, after 346p. Elsewbere in the Property sector, **County Properties** firmed 3 to 160p in reply to the good interim results, while **Egerton Trust** added the same amount to 112p awaiting today's half-timer. **St Modwen** attracted fresh demand and put on 1½ to 25½p, while **Belgrave**, still reflecting the annual results and confident statement, firmed 4 more to 112p. **London and Edinburgh** rose 10 to 810p, as did **Rosehaugh**, to 845p. **Hanover Investments** gained 5 to 225p following Press comment, while buying in thin markets lifted **Tops Estates** 30 to 400p and **Jermyn** 15 to 175p.

Textiles remained mixed. **Courtaulds**, a few pence to the good in early trading, settled 2 cheaper on balance at 295p. **Lister**, supported recently following the excellent preliminary figures, encountered sporadic profit-taking and fell 5 to 107p. In contrast, revived takeover bopes lifted **Bulmer and Lumb** 10 to 110p, after 112p, while Press comment aided **Stoddard**, finally 3 up at 30p with the A shares 2 dearer at 26p; the latter's full-year figures are expected on Thursday. **Stroud Riley Drummond**, due to announce annual results today, put on 6 to 125p.

Aitken Hume, awaiting forther developments in the Tranwood bid situation, fell 15 more to 135p following a "sell" recommeudation; **Tranwood** eased 1½ to 16p. In contrast, fresh support was forthcoming for **James Ferguson**, finally 8 up at 93p, and USM-quoted **York and Equity**, a similar amount to the good at 61p.

Oils lower

There was little or no support for oil shares as crude oil spot prices once again dipped below the *$10 a barrel mark*, reflecting growing nervousness over the next Opec meeting scheduled for July 28. Leading oils came under pressure at the outset, rallied briefly around midday and fell back again after-bours to close around the day's lowest levels. **BP** were additionally unsettled by fears of possible sbare sales by the Government and Distillers and the quotation dipped 12 to 566p. **Britoil** and **LASMO** lost 5 apiece at 143p and 93p respectively, while **Enterprise** dipped 4 to a record low of 104p. Secondary oils gave ground where changed, as did Irish exploration stocks, while further steep falls in overnight domestic markets prompted weakness in Australians.

Trends in currencles proved tha overriding factor in mining markets. South African Gold shares, in dollar terms, were little changed but sterling quotations were sustained by the gradual decline in the pound against the dollar. The relatively firm bullion price — it closed 75 cents higher at $344.75 — bad little impact on sentiment.

Business in South African issues remained extremely thin with dealers awaiting official news on the Foreign Secretary's proposed visit to South Africa which was reported as being in jeopardy.

At the close of trading most of the leading beavyweights were left with gains of around ¼ to ½ while the cheaper priced issues were usually a shade firmer on balance. The June quarter *results from the gold mines in* the Gold Fields of South Africa group were generally in line with market expectations and failed to arouse any significant interest. The Gold Mines index edged up 0.3 to 196.6.

South African Financials showed **De Beers** a few pence up at 418p despite the strike by black mineworkers at the end of last week. Among UK Financials **Consolidated Gold Fields** made good early progress and touched 454p before profit-taking saw the shares dip sharply to close only 2 up on balance at 442p. **Rio Tinto-Zinc** lost a few pence at 611p.

Clogau Gold, the USM-quoted Welsh gold mining company, staged a strong initial rise and moved up to 23p on talk of an imminent takeover bid before ending the day a net 2½ bigher at 22p.

Another bout of selling in overnight Sydney and Melbourne markets coupled with a resumption of the recent weakness in the Australian dollar caused a further decline in Australian mines. Among the leaders **Western Mining** dropped 5 to 118p, **North Broken Hill** a like amount to 75p and **CRA** a couple of pence to 246p while **Bougainville** fell 4 to 94p. Golds showed **Poseidon** 12 lower at 108p, **Central Norseman** 7 easier at 300p and **Gold Mines of Kalgoorlie** 5 cheaper at 345p.

Traded Options

As on Friday, the general lack of enthusiasm for the underlying securities hindered Traded Option business. Total contracts struck amounted to only 13,007 comprising 7,839 calls and 5,188 puts. Dealers reported a lively business in **British Telecom**, however, which contributed 2,835 calls and 609 puts in the wake of the Labour Party's reported proposal to re-nationalise the company.

TRADITIONAL OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
July 7	July 18	Oct 9	Oct 20
July 21	Aug 1	Oct 23	Nov 3
Aug 4	Aug 15	Nov 6	Nov 17

For rate indications see end of Unit Trust Service

Stocks favoured for the call included **B. Elliott**, **Moorgate Mercantile**, **Amstrad**, **Property Trust**, **Belhaven**, **York and Equity**, **Weeks Associates**, **Tozer Kemsley and Millbourn**, **Wheway Watson**, **Raine**, **"The Times" Veneer**, **Plessey**, **Bernard Matthews**, **St Modwen**, **Western Selection**, **Newman Industries**, **Bristol Oil and Minerals**, **C. H. Bailey**, **Lasmo and Abaco**. No puts were reported, but a double was transacted in Amstrad.

FINANCIAL TIMES STOCK INDICES

	July 7	July 4	July 3	July 2	July 1	year ago	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Government Secs	91.56	91.66	91.24	90.74	90.43	82.49	94.51 (18/4)	80.39 (20/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.68	97.44	97.00	96.86	96.78	87.17	97.68 (7/7)	86.55 (23/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1347.8	1356.5	1365.7	1366.6	1373.7	951.2	1425.9 (3/4)	1094.3 (14/1)	1425.9 (3/4/86)	49.4 (26/6/40)
Gold Mines	196.6	196.3	199.4	198.2	204.2	415.5	357.0 (27/1)	192.3 (12/6)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.08	4.06	4.04	4.04	4.02	4.87				
Earnings Yld. % (full)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]				
P/E Ratio (net) (*)	12.43	12.51	12.59	12.57	12.62	10.07				
Total Bargains (Est)	24,958	25,216	25,289	24,287	24,219	20,878				
Equity Turnover £m.	—	694.22	658.55	700.01	702.19	267.13				
Equity Bargains	—	25,646	28,411	28,883	24,099	17,781				
Shares Traded (ml).	—	277.6	301.4	343.5	290.4	134.8				

S.E. ACTIVITY

Indices	July 4	July 3
Gilt Edged Bargains	137.7	145.8
Equity Bargains	166.2	184.1
Equity Value	1,403.2	1,331.1
5-Day Average		
Gilt Edged Bargains	129.9	125.8
Equity Bargains	168.6	169.2
Equity Value	1,319.4	1,307.8

♥ Opening 1354.8 | 10 a.m. 1353.5 | 11 a.m. 1354.6 | Noon 1354.7 | 1 p.m. 1354.6 | 2 p.m. 1354.4 | 3 p.m. 1353.7 | 4 p.m. 1350.1

Day's High 1355.4. Day's Low 1347.8.

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974 *Nil=11.99.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

EUROPEAN OPTIONS EXCHANGE

Series	Aug. Vol.	Aug. Last	Nov. Vol.	Nov. Last	Feb. Vol.	Feb. Last	Stock
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TOTAL VOLUME IN CONTRACTS: 29,604

A=Ask B=Bid C=Call P=Put

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change	Stock	Closing price	Day's change
Belhaven Brewery	61	+ 6	Morley (R. H.)	47	+ 7
Bulmer and Lumb	110	+10	Pearson	568	−35
Evered	258	−14	Raine Industries	82	+ 4½
HB Electronic	90	+10	Rexmore	35	+ 3
Kwik-Fit	113	+ 2	Saatchi and Saatchi	715	−20
McKechnie Bros.	227	−23	Shell Transport	775	—

FRIDAY'S ACTIVE STOCKS

Based on bargains recorded in SE Official List

Stock	No. of changes	Fri. close	Day's change	Stock	No. of changes	Fri. close	Day's change
McKechnie Brs.	21	250	−10	ICI	13	£10⅞	—
Parkfield	19	545	+25	Morgan Grnfll.	13	488	+ 3
Jaguar	14	578	− 2	STC	13	162	+ 6
Antoil	13	148	− 7	BAT Industries	12	416	—
Glaxo	13	£10⅛	− 0⅛	Beecham	12	435	− 5
Mobson	13	20	—	Thames TV	12	220	− 4

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	28	56	30
Corporations, Dominion and Foreign Bonds	30	4	37
Industrials	298	338	889
Financial and Properties	119	81	378
Oils	10	34	75
Plantations	—	5	10
Mines	37	48	103
Others	38	19	191

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section — Monday July 7 1986

	Group	Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 29%)	Est. P/E Ratio (Net)	xd adj. 1986 to date	Fri July 4 Index No.	Thurs July 3 Index No.	Wed July 2 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (212)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2	Building Materials (26)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3	Contracting, Construction (30)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4	Electricals (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5	Electronics (38)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6	Mechanical Engineering (61)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8	Metals and Metal Forming (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9	Motors (16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10	Other Industrial Materials (22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
21	CONSUMER GROUP (183)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
22	Brewers and Distillers (22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25	Food Manufacturing (22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
26	Food Retailing (15)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
27	Health and Household Products (10)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
29	Leisure (29)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
32	Publishing & Printing (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
33	Packaging and Paper (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34	Stores (40)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
35	Textiles (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
36	Tobacco (2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41	OTHER GROUPS (88)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42	Chemicals (20)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
44	Office Equipment (4)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45	Shipping and Transport (13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
47	Telephone Networks (2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
48	Miscellaneous (49)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49	INDUSTRIAL GROUP (483)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51	Oil & Gas (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
59	500 SHARE INDEX (500)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
61	FINANCIAL GROUP (117)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62	Banks (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
65	Insurance (Life) (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66	Insurance (Composite) (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
67	Insurance (Brokers) (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68	Merchant Banks (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69	Property (50)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70	Other Financial (23)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71	Investment Trusts (103)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
81	Mining Finance (3)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
91	Overseas Traders (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
99	ALL-SHARE INDEX (737)	809.84	−0.9	—	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Index No.	Day's Change	Day's High	Day's Low	July 4	July 3	July 2	July 1	June 30	Year ago
FT-SE 100 SHARE INDEX ♦	1631.0	−18.4	1645.7	1631.0	1649.4	1656.2	1656.7	1668.8	1649.8	1258.2

FIXED INTEREST

	PRICE INDICES British Government	Mon July 7	Day's change %	Fri July 4	xd adj. today	xd adj. 1986 to date
1	5 years	123.17	−0.01	123.19	0.21	6.45
2	5-15 years	144.42	−0.01	144.44	—	6.90
3	Over 15 years	152.78	−0.04	152.83	—	7.57
4	Irredeemables	169.35	−0.30	169.85	—	7.77
5	All stocks	139.86	−0.02	139.96	0.87	6.92
	Index-Linked					
6	5 years	113.53	+0.25	113.29	—	2.10
7	Over 5 years	117.46	+0.44	116.95	—	1.64
8	All stocks	116.73	+0.40	116.26	—	1.65
9	Debentures & Loans	121.75	+1.11	120.42	—	5.82
10	Preference	87.77	+0.13	87.65	—	3.58

AVERAGE GROSS REDEMPTION YIELDS

		Mon July 7	Fri July 4	Year ago (approx.)
1–18	British Government: Low Coupons, Medium Coupons, High Coupons (5, 15, 25 years), Irredeemables; Index-Linked (Inflat'n rate 5%, 10%; 5 yrs., Over 5 yrs.); Debs & Loans (5, 15, 25 years); Preference	[illegible]	[illegible]	[illegible]

♦Opening index 1645.6; 10 am 1641.7; 11 am 1641.6; Noon 1639.5; 1 pm 1638.9; 2 pm 1638.4; 3 pm 1638.5; 3.30 pm 1635.5; 4 pm 1633.9

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 28p.

NEW HIGHS AND LOWS FOR 1986

NEW HIGHS (146)

BRITISH FUNDS (1). CORPORATION LOANS (2). COMMONWEALTH AND AFRICAN LOANS (1). LOANS (1). BANKS (2). BREWERS (2). BUILDINGS (15). CHEMICALS (6). STORES (3). ELECTRICALS (6). ENGINEERING (6). FOODS (1). INDUSTRIALS (23). INSURANCE (1). LEISURE (2). MOTORS (3). PAPERS (10). PROPERTY (18). SHIPPING (1). TEXTILES (7). TRUSTS (30). OILS (1). MINES (3).

NEW LOWS (34)

CANADIANS (3) Breakwater Res. Imperial Oil, Muscocho Expln. BANKS (1) Rea Brothers. CHEMICALS (1) Hoechst. ELECTRICALS (7) British Telecom, Cranbrook Elec, Farnel Elec, Murray Elec, Powerline Intl, Stone Intl, Unitech. INDUSTRIALS (6) CSR, China Light, Diploma, Mathesons 7¼pc, TSL Thermal Syndicate, Vinten. LEISURE (1) Samuelson. PAPER (1) Crown Intl. TRUSTS (4) Contl Assets Tst, Independent Inv, Viking Res, Natl Home Loans. OILS (6) Britoil, Consolidated Orinco, Genoa Res and Inv, LASMO, Oo "Ops," Pennine Res. MINES (4) Ouffels, Gold Fields SA, Sthn Goldfields, Thames Mining.

BASE LENDING RATES

	%		%
ABN Bank	10	Exeter Trust Ltd.	10½
Allied Dunbar & Co	10	Financial & Gen. Sec	10
Allied Irish Bank	10	First Nat. Fin. Corp.	11
American Express Bk.	10	First Nat. Sec. Ltd.	11
Amro Bank	10	● Robert Fleming & Co	10
Henry Ansbacher	10	Robert Fraser & Ptrs	11
Associates Cap Corp	10	Grindlays Bank	‡10
Banco de Bilbao	10	● Guinness Mahon	10
Bank Hapoalim	10	● Hambros Bank	10
Bank Leumi (UK)	10	Heritable & Gen. Trust	10
Bank Credit & Comm	10	● Hill Samuel	§10
Bank of Cyprus	10	C. Hoare & Co.	10
Bank of Ireland	10	Hongkong & Shanghai	10
Bank of India	10	Knowsley & Co. Ltd.	10½
Bank of Scotland	10	Lloyds Bank	10
Banque Belge Ltd	10	Mase Westpac Ltd.	10
Barclays Bank	10	Meghraj & Sons Ltd.	10
Benchmark Trust Ltd	10	Midland Bank	10
Beneficial Trust Ltd	11	● Morgan Grenfell	10
Brit. Bk. of Mid. East	10	Mount Credit Corp. Ltd	10
● Brown Shipley	10	National Bk. of Kuwait	10
CL Bank Nederland	10	National Girobank	10
Canada Permanent	10	National Westminster	10
Cayzer Ltd	10	Northern Bank Ltd.	10
Cedar Holdings	11	Norwich Gen. Trust	10
● Charterhouse Bank	10	PK Finans. Intl (UK)	10½
Citibank NA	10	Provincial Trust Ltd	11
Citibank Savings	¶10¾	R. Raphael & Sons	10
City Merchants Bank	10	Roxburghe Guarantee	11
Clydesdale Bank	10	Royal Bank of Scotland	10
Comm. Bk. N. East	10	Royal Trust Co. Canada	10
Consolidated Credits	10	Standard Chartered	10
Continental Trust Ltd.	10	Trustee Savings Bank	10
Co-operative Bank	*10	United Bank of Kuwait	10
The Cyprus Popular Bk.	10	United Mizrahi Bank	10
Duncan Lawrie	10	Westpac Banking Corp	10
E. T. Trust	11	Whiteaway Laidlaw	10½
Equatorial Tst Corp. plc	10	Yorkshire Bank	10

● Members of the Accepting Houses Committee. * 7-day deposits 5.69%. 1-month 6.03%. Top Tier—£25,000+ at 3 months' notice 9.72%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 6¼% gross. ¶ Mortgage base rate. § Demand deposit 5.82%. Mortgage 11%.

LONDON TRADED OPTIONS

Option		Calls July	Calls Oct.	Calls Jan.	Puts July	Puts Oct.	Puts Jan.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Aug.	Calls Nov.	Calls Feb.	Puts Aug.	Puts Nov.	Puts Feb.
P. & O. (*500)	460	58	72	—	3	9	—
	500	27	47	35	12	27	38
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

July 7. Total contracts 13,007. Calls 7,839. Puts 5,168

*Underlying security price.

WORLD STOCK MARKETS

AUSTRIA

July 7	Price Sch.	+ or −
Credit'nst'lt pp.	2,800	...
Goesser	3,450	−30
Interunfall	14,500	−50
Jungbunzlauer	17,500	−700
Laenderbank	2,200	...
Perlmooser	665	+5
Steyr Daimler	157	−1
Veitscher Mag	13,120	−100

BELGIUM/LUXEMBOURG

July 7	Price Frs.	+ or −
B.B.L.	3,130	+60
Banq. Gen Lux	15,650	+50
Banq. Int.A.Lux.	14,400	+100
Bekaert	11,950	..
Ciment CBR	3,815	−40
Cockerill	188	+8
Delhaize	3,600xr	+11d
EBES	4,525	−5
Electrobel	15,800	+400
Fabrique Nat.	2,250	−50
GB Inno BM	7,550	+100
GBL (Brux)	3,260	+15
Generale Bank	6,000	...
Gevaert	5,960	−80
Hoboken	7,370	...
Intercom	3,750	−60
Kredietbank	16,600	+25
Pan Hldg	11,250	−50
Petrofina	8,64d	−15d
Royale Belge	26,200	...
Soc. Gen. Belge	2,986	+66
Sofina	10,275	+25
Solvay	7,780	...
Stanwick Intl	460	..
Tractionel	5,72d	+11d
UCB	8,310	−20
Wagons Lits	5,600	..

DENMARK

July 7	Price Kr%	+ or −
Andelsbanken	340	+3
Baltica Skand.	626	−6
Cop Handelsb'nk	984	−4
D. Sukkerfab	360	...
Danske Bank	314	...
De Danske Luft	1,53d	+1d
East Asiatic	906	+2
Forenede Brygg.	1,130	+10
Forenede Damp.	229	+8
GNT Holding	455	...
I.S.S.B.	660	+5
Jyske Bank	57d	...
Novo Ind	264	−1
Privatbanken	274	+1
Provinsbanken	347	+1
Smidth (F.L.) B	280	+5
Sophus Berend	84d	+15
Superfos	288	+7

FRANCE

July 7	Price Frs.	+ or −
Emprunt 4½% 1973	1,555	−1
Emprunt 7% 1973	7,69d	−25
Accor	440	+6.2
Air Liquide	745	−64
BIC	626	+3
Bongrain	1,895	−7
Bouygues	1,2d6	...
BSN Gervais	3,230	...
CIT Alcatel	9,17d	+15
Carrefour	6,180xc	−50
Club Mediter'n	560	−1d
Cie Bancaire	1,140	−3
Cofimeg	403	+9.2
Damart	1,970	−2P
Darty	3,390	...
Dumez S.A.	1,470	+75
Eaux (Cie Gen)	1,360	−5
Elf Aquitaine	992	−9
Essilor	2,7d5	−P5
Gen.Occidentale	988	−6
Imetal	65.8	−d.3
Lafarge Coppee	1,350	+1d
L'Oreal	3,62d	+74
Legrand	4,200	...
Maisons Phenix	340	+4
Matra S.A.	2,47d	−1P
Michelin B	3,000	−50
Midi (Cie)	6,d20	−830
Moet-Hennessy	2,17d	−25
Moulinex	80	−0.1
Nord Est	192.5	+10.5
Pernod Ricard	1,161	−14
Perrier	762	−8
Petroles Fra.	366	−2

GERMANY

July 7	Price Dm.	+ or −
AEG	286.5	−5.5
Allianz Vers.	2,204	−66
BASF	249.5	−7.5
Bayer	275.8	−5.8
Bayer-Hypo	545	−10
Bayer-Verein	503	−12
BHF-Bank	503	−13
BMW	550.5	−17.5
Brown Boveri	348.5	+7.0
Commerzbank	321	−4
Cont'l. Gummi	262	−P
Daimler-Benz	1257xd	−31
Degussa	413	−5
D'sche Babcock	185.5	−4.5
Deutsche Bank	730.5	−11.5
Dresdner Bank	321	−13
Feld-Muehle Nbl	280.7	−4.3
Henkel	409	−4
Hochtief	1,100	...
Hoechst	246.d	−P.1
Hoesch Werke	158	−5.5
Holzmann (P)	536	−9.d
Horten	165	−3
Hussel	539	−14
Karstadt	347	...
Kaufhof	436	−12
KHD	225	−2.5
Kloeckner	75.5	−2.5
Linde	666	−14
Lufthansa	156	−2
MAN	218	−7.5
Mannesmann	181.5	−3.5
Mercedes Hld	1,125	−45
Metallgesell	290	+5
Muench Rueck	2,550	−85
Nixdorf	563	−7.5
Porsche	295	−11
Preussag	176	+1
RheinWest Elect	195	−11
Rosenthal	338.2	...
Schering	582	−16.5
Siemens	6d5	−8
Thyssen	145.1	−4.P
Varta	290	−7
Veba	257	−4
V.E.W.	16d	...
Verein-West	465	...
Volkswagen	455.2	−16.2

ITALY

July 7	Price Lire	+ or −
Banca Com'le.	23,930	..
Bastogi-IRBS	629	−11
Centrale	6,6P5	
C.I.R.	12,500	...
Credito Italiano	3,400	...
Fiat	12,700	+90
Generali Assicur.	132,500	−500
Italcementi	76,100	+2,?00
La Rinascente	1,d59	−21
Montedison	3,47d	+1d
Olivetti	16,450	−440
Pirelli Co	7,525	+35
Pirelli Spa	6,200	+95
Saipem	5,240	−60
Snia BPD	6,161	−29
Toro Assic.	98,200	...

NETHERLANDS

July 7	Price Fls	+ or −
ACF Holding	34d.d	..
AEGON	107.8	+1.2
Ahold	90.3	+d.1
AKZO	166.7	−0.8
ABN	599	+4
AMEV	8d	+d.4
AMRO	109.4	+9.1
Bredero Cert.	255	−1
Bos Kalis Westm.	15	+d.5
Buehrmann Tet.	212	+3
Calland Hlgs	18.2	−0.1
Dordtsche Pet'm	180.5	−0.7
Elsevier-NDU	207.5	+2.5
Fokker	90.5	−0.5
Gist Brocades	68xc	−0.4
Heineken	178xc	−1
Hoogovens	110.5	−1.3
Hunter Doug.	63.3	+0.3
Int. Mueller	79.5	.
KLM	48.4	−0.3
KNP	162.2	+0.7
Naarden	62.6	−0.3
Nat Ned Cert	85.4	−d.4
Ned Mid Bank	904.6	+0.6
Nedlloyd	17d.5	−2.6
Oce Grinten	61d	−d.3
Ommeren (Van)	25.9	−0.1
Pakhoed	53	−d.7

Indices

	July 7	July 4	July 3	July 2	1986 High	1986 Low
AUSTRALIA						
All Ord. (1/1/80)	1128.2	1142.7	1135.8	1149.7	1287.8 (7/5)	1018.8 (2/1)
Metals & Mnls. (1/1/80)	497.8	497.6	499.8	497.8	607.8 (20/3)	401.1 (20/5)
AUSTRIA						
CreditbK Aktien (30/12/84)	241.58	245.44	244.49	249.90	266.54 (23/4)	226.58 (5/3)
BELGIAN						
Brussels SE (1/1/80)	3746.88	3733.32	3607.77	3580.77	3746.88 (7/7)	2768.91 (15/1)
DENMARK						
Copenhagen SE (6/1/85)	218.40	218.18	215.67	216.98	250.70 (18/4)	214.27 (21/1)
FRANCE						
CAC General (31/12/82)	372.8	372.8	365.5	357.6	411.5 (15/5)	267.8 (2/1)
Ind Tendance (31/12/82)	145.8	145.3	141.4	136.3	154.3 (12/5)	101.6 (2/1)
GERMANY						
FAZ Aktien (31/12/58)	600.65	617.70	629.57	635.18	753.88 (17/4)	600.65 (7/7)
Commerzbank (1/12/53)	1814.7	1867.4	1906.9	1919.6	2210.8 (17/4)	1814.7 (7/7)
HONG KONG						
Hang Seng Bank (31/7/64)	1761.52	1756.78	1757.58	1760.21	1865.65 (7/5)	1559.04 (10/3)
ITALY						
Banca Comm Ital. (1972)	707.00	710.66	707.92	698.61	908.20 (20/5)	464.67 (24/1)
JAPAN**						
Nikkei (16/5/49)	17714.1	17597.78	17691.8	17668.9	17714.1 (7/7)	12891.5 (21/1)
Tokyo SE New (4/1/68)	1366.21	1356.52	1362.25	1357.67	1366.21 (7/7)	1025.85 (21/1)
NETHERLANDS						
ANP-CBS General (1970)	293.6	292.60	291.0	289.9	293.3 (7/7)	240.4 (8/5)
ANP-CBS Indust (1970)	291.9	289.8	288.0	285.5	291.9 (7/7)	254.0 (3/5)
NORWAY						
Oslo SE (4/1/83)	357.06	357.41	367.64	368.66	402.91 (18/1)	352.25 (20/5)
SINGAPORE						
Straits Times (30/12/66)	725.38	735.73	738.90	749.75	779.89 (23/6)	563.34 (28/4)
SOUTH AFRICA						
JSE Gold (28/9/78)	—	1218.0	1216.8	1234.3	1307.8 (27/1)	1182.1 (21/4)
JSE Indust (28/9/78)	—	1185.5	1180.8	1175.1	1208.1 (20/3)	1069.5 (2/1)
SPAIN						
Madrid SE (30/12/85)	173.08	169.58	169.25	169.11	194.77 (12/5)	108.85 (6/1)
SWEDEN						
Jacobson & P (31/12/56)	2510.56	2504.80	2495.71	2448.64	2510.56 (7/7)	1729.57 (28/1)
SWITZERLAND						
Swiss BankCpn (31/12/58)	567.1	560.1	559.8	568.5	625.5 (8/1)	554.7 (28/2)
WORLD						
M.S. Capital Intl. (1/1/70)	—	331.8	331.4	330.2	331.4 (4/7)	249.8 (25/1)

** Saturday July 5. Japan Nikkei 17,595.36. TSE 1,356.98.

Base value of all indices are 100 except Brussels SE—1,000, JSE Gold—255.7, JSE Industrial—264.3, and Australia. All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities. 40 Financials and 20 Transports. c Closed. u Unavailable.

TORONTO	July 7	July 4	July 3	July 2	1986 High	1986 Low
Metals & Minls	2,090.8*	—	2,093.4	2,108.7	2,442.85 (21/3)	2,025.3 (21/5)
Composite	3,058.4*	3,051.5	3,032.8	3,088.9	3,129.31 (18/4)	2,754.0 (17/2)
MONTREAL Portfolio	1,535.05*	1,553.34	1,558.66	1,561.33	1,623.33 (18/4)	1,358.8 (22/1)

* Indicates pre-close figure

F No voting rights or restricted voting rights

LONDON Chief price changes (In pence unless otherwise indicated)

RISES			FALLS		
BOC	303	+9	Aitken Hume	135	−15
Belhaven Brewery	61	+6	BP	566	−12
Bestobell	495	+25	Brit. Telecom.	198	−18
Bulmer & Lumb	110	+10	Britoil	143	−5
Coalite	287	+13	Evered	258	−14
Good, Durrant & Murray	102	+27	Freemans	452	−10
Holt Lloyd	107	+7	ICI	994	−18
McCarthy & Stone	290	+15	McKechnie Bros.	227	−23
Wace	75	+9	Matthews (B.)	255	−18
Wassall (J. W.)	70	+15	Morgan Grenfell	472	−18
York & Equity Tst.	61	+8	Pearson	568	−35
			Saatchi & Saatchi	715	−20
			Vinten	127	−9

NEW YORK PRICES

Continued from Page 43

OVER-THE-COUNTER Nasdaq national market, 2.30pm prices

Continued from Page 43

Prices at 3pm, July 7

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25⅝	13½	AAR s	.44	1.8	23	437	u26½	24¾	25	⅞
30	21¼	ADT	.92	3.6		155	25⅞	25⅜	25⅜	⅛
32⅝	11½	AFG s			20	362	u32¾	31	31	1½
25⅝	13⅛	AGS			15	75	20⅛	20	20	⅝
15	9⅞	AMCA				16	11⅛	11⅛	11⅛	¼
60⅝	37½	AMR			11	5213	53¼	52⅞	52⅞	1⅛
27½	23½	ANR pf2.67		10		2	25¼	25⅛	25⅛	+⅛
12½	7⅝	APL			6	30	11⅛	11⅛	11⅛	
16⅛	11⅛	ARX	.71	5.6	11	44	12⅞	12½	12⅝	⅛
51	29¼	ASA	2a	6.9		727	30	d28¾	29	⅛
18⅝	10½	AVX		2.6		176	13¼	12½	12½	-⅝
32	22⅝	AZP	2.72	9.4	6	1029	29⅝	28½	29	½
66	26⅝	AbtLb s .84		1.6	25	3066	54⅝	51	51½	-2⅞
32	19⅝	AccoWd .56		2.0	19	254	28⅝	28	28	-⅜
17	10	AcmeC .40		3.6		49	11⅛	11⅛	11⅛	-⅛
9¼	7	AcmeE .32b		4.1	15	46	8	7¾	7⅞	-⅛
20¾	17	AdaEx 1.90e		9.4		152	20⅛	20⅛	20¼	
33⅝	16	AdmMl .40		1.3	14	119	32½	30¾	30¾	-1½
20⅝	11¼	AdvSys .83t		4.8	16	274	18⅜	17¼	17¼	1⅛
32⅞	19¼	AMD				3713	19⅝	d18¾	18¾	-¾
12⅝	8	Adobe n				34	8⅛	8	8	-⅛
20¼	15¼	Adob pf2.40		12		44	19⅝	19⅛	19⅛	-⅛
18⅜	7⅜	Advest .12a		.8	12	536	16	15¼	15¼	½
56½	42½	AetnLf 2.64		4.4	11	2440	61⅜	59⅝	59¾	-1⅞
57½	51½	AetL pf4.28e		8.2		16	52½	52½	52½	
101½	95½	AetL pfC3.31e		3.5		1	95	d95	95	-½
28¾	9⅝	Ahmns s .48		1.1	9	7020	28½	27⅛	27⅜	-1¼
6¾	2½	Aileen			100	162	5⅜	5	5	-⅜
41⅞	25¾	AirPrd s .80		2.3	14	1652	35⅝	34⅛	34⅛	-1¼
27¼	18¼	AirbFrt .60		3.2	16	157	19	18½	18½	-⅜
3½	⅝	AlMoa wt.60c				84	7-16	13-32	13-32	
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Continued on Page 43

NYSE COMPOSITE PRICES

Continued from Page 42

Continued on Page 41

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls - sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

Prices at 3pm, July 7

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Continued on Page 41

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET
Fireworks come down with a bang

THE FIREWORKS continued on Wall Street yesterday despite the end of the Independence Day celebrations as profit-taking and futures related sell programmes sent the Dow plummeting, *writes Paul Hannon in New York.*

By 3pm the Dow Jones industrial index was 49.91 lower at 1,850.96, its biggest one-day fall on record.

While weekend commentators were looking forward to new peaks this week when the Federal Reserve Board will meet to determine its short-term monetary policy course and more government statistics on the state of the economy are released, the stock market had other ideas.

The bond market, however, extended the strong rally of last week.

Although the latest survey of purchasing agents indicated that the industrial sector of the economy retreated sharply last month with drops in production, new orders and employment – perhaps sufficient evidence for the Fed to cut the discount rate again to bolster a flagging economy – the stock market plunged at the opening due to sell programmes linked to stock index futures.

Some of the weakness was attributed to a shift in the opinion of the market's course by Mr John Mendelsohn, chief market analyst at Dean Witter Reynolds, who now maintains that a technical correction of up to 20 per cent in the next few months is likely. Gramm-Rudmann developments in Washington also unsettled.

Among blue chips IBM retreated $1⅛ to $147⅛, Minnesota Mining & Manufacturing dropped $2⅜ to $110½, McDonald's gave up $2⅜ to $73⅜ and ITT dipped $¾ to $57¼.

Other technology issues were hard hit, with Cray Research down $4⅜ to $91. Digital Equipment $2 cheaper at $87⅛ and Burroughs, which surged over $10 last week, $1⅞ off at $70⅛.

A downgrading by a Smith Barney analyst took much of the lustre off newspaper stocks. Gannett fell $2¾ to $61⅛ and Tribune suffered a $3⅞ retreat to $72 while Dow Jones dropped $1¼ to $36¾.

The oil sector was unsettled as crude oil futures moved sharply lower in New York trading. The August contract was quoted at $11.35 a barrel, a drop of 64 cents. Exxon quickly lost $⅝ to $60⅛ and Chevron dipped $⅝ lower to $38⅜ while Atlantic Richfield gave up $¾ to $50⅛. Standard Oil held unchanged at $45.

A weaker oil price helped TWA among airlines to pick up $⅛ to $15¼ while the expected Texas Air/People Express bid materialised.

Texas Air, traded on the American Stock Exchange, retreated $1½ to $33⅛ in thin volume as the group launched a $12-a-share offer for People Express, the troubled discount carrier. People Express jumped $2¼ in heavy over-the-counter trading to $9⅞.

Bausch & Lomb, the instrumentation and vision care group, dipped $⅞ to $39⅞ amid news that it had acquired a West German ophthalmic pharmaceuticals group for $97m.

Mellon Bank's acquisition of Muller Data, an end-of-day securities pricing services company, failed to ward off a $1⅛ retreat to $66½. Elsewhere, BankAmerica shed $¼ to $15⅛.

Manville showed an early $⅛ gain to $2⅞ despite a Supreme Court refusal to limit the amount of damages possible against asbestos manufacturers by people exposed to and injured by asbestos fibres.

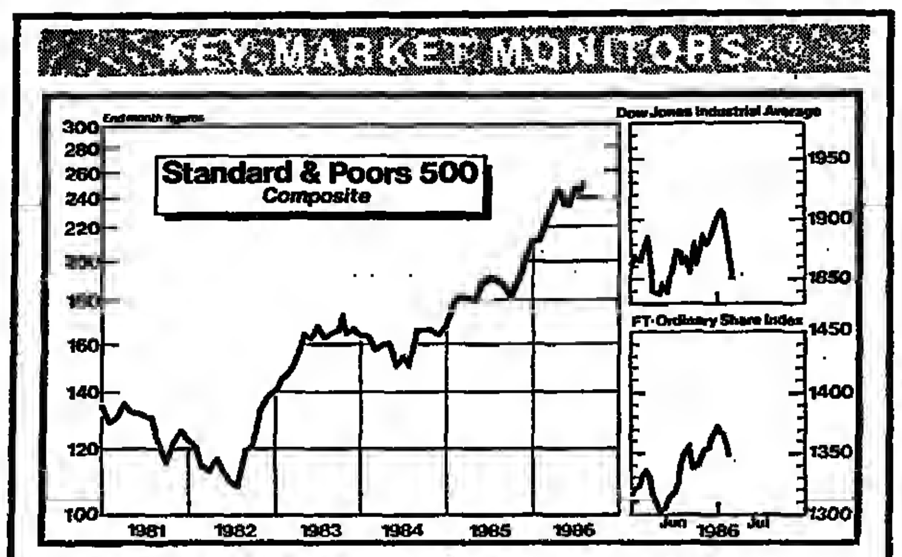
In the bond market, prices continued to rally. The Treasury's bellwether long bond, the 7¼ per cent 2016, traded 18/32 higher to 101 17/32 to yield 7.12 per cent, just above its 7.11 low for the year set on April 16.

The 7⅜ issue, due 1996, added 5/32 to 100 23/32 lowering the yield to 7.27 per cent from Thursday's 7.29 per cent.

The Federal Reserve stepped into the market with a three-day system repurchase. Fed funds were trading at 6 13/16 at the intervention.

The rate on the latest three-month Treasury bill declined further to 5.69 per cent with a fresh fall of 1 basis point while the six-month bill held steady at 5.84 per cent. The one-year bill dropped 2 basis points to 5.87.

KEY MARKET MONITORS



STOCK MARKET INDICES

	July 7	Previous	Year ago
NEW YORK			
DJ Industrials	1,850.96*	c	1,334.45
DJ Transport	765.75*	c	678.96
DJ Utilities	197.96*	c	166.29
S&P Composite	245.05*	c	192.52
LONDON			
FT Ord	1,347.8	1,356.5	951.2
FT-SE 100	1,631.0	1,649.4	1,260.0
FT-A All-share	809.04	816.09	605.77
FT-A 500	887.50	897.25	657.96
FT Gold mines	196.6	196.3	415.5
FT-A Long gilt	9.18	9.16	10.53
TOKYO			
Nikkei	17,714.07	17,597.73	12,963.3
Tokyo SE	1,366.20	1,355.32	1,037.12
AUSTRALIA			
All Ord.	1,136.2	1,142.7	882.4
Metals & Mins.	497.3	497.8	514.9
AUSTRIA			
Credit Aktien	241.56	243.44	98.79
BELGIUM			
Belgian SE	3,746.88	3,733.32	2,347.78
CANADA			
Toronto			
Metals & Minls	2,046.8*	n/a	1,874
Composite	3,058.4*	3,091.5	2,739.5
Montreal			
Portfolio	1,535.05*	1,559.34	133.67
DENMARK			
SE	218.89	218.18	202.13
FRANCE			
CAC Gen	372.60	372.0	219.8
Ind. Tendance	143.40	143.3	80.3
WEST GERMANY			
FAZ-Aktien	600.63	617.74	502.62
Commerzbank	1,814.70	1,867.4	1,486.2
HONG KONG			
Hang Seng	1,761.52	1,756.76	1,570.30
ITALY			
Banca Comm.	707.08	710.85	343.05
NETHERLANDS			
ANP-CBS Gen	293.30	292.60	221.2
ANP-CBS Ind	291.90	289.8	186.3
NORWAY			
Oslo SE	357.03	357.41	325.11
SINGAPORE			
Straits Times	725.38	735.73	753.14
SOUTH AFRICA			
JSE Golds	–	1218.0	986.5
JSE Industrials	–	1183.3	991.8
SPAIN			
Madrid SE	173.09	169.53	80.13
SWEDEN			
J & P	2,510.56	2,504.89	1,293.43
SWITZERLAND			
Swiss Bank Ind	557.10	560.1	460.3
WORLD	July 4	Prev	Year ago
MS Capital Int'l	331.0	331.4	217.7

COMMODITIES

(London)	July 7	Prev
Silver (spot fixing)	328.00p	326.90p
Copper (cash)	£894.50	£911.50
Coffee (September)	£1,631.50	£1,643.00
Oil (Brent blend)	$9.925	$10.00

GOLD (per ounce)

	July 7	Prev
London	$344.75	$344.00
Zürich	$344.80	$342.90
Paris (fixing)	$344.40	$342.60
Luxembourg	$344.75	$343.90
New York (Aug)	$345.90	$344.90

CURRENCIES

(London)	US DOLLAR July 3	US DOLLAR Previous	STERLING July 3	STERLING Previous
$	–	–	1.5345	1.5370
DM	2.1835	2.1755	3.350	3.345
Yen	160.75	160.5	246.75	246.75
FFr	8.9925	8.9475	10.7225	10.6775
SFr	1.781	1.765	2.7325	2.7125
Guilder	2.4585	2.4475	3.7725	3.7625
Lira	1,497	1,492	2,297	2,293
BFr	44.55	44.50	68.35	68.40
C$	1.3795	1.3800	2.1160	2.1255

INTEREST RATES

	July 3	Prev
Euro-currencies (3-month offered rate)		
£	10	10⅛
SFr	4⅞	4⅞
DM	4⅝	4⅝
FFr	7 3/16	7¼
FT London Interbank fixing (offered rate)		
3-month US$	6⅝	6⅝
6-month US$	6⅝	6⅝
US Fed Funds	6⅞*	c
US 3-month CDs	6.35*	6.575
US 3-month T-bills	5.845*	c

US BONDS

Treasury

		July 7 Price	July 7 Yield	Prev Price	Prev Yield
7¼	1988	100 19/32	6.69	100 19/32	6.793
7⅝	1993	100 7/32	7.42	99 29/32	7.307
7⅜	1996	100 23/32	7.29	100 9/32	7.364
7¼	2016	101 1/32	7.145	100 19/32	7.223

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	Return index	July 7* Day's change	Yield	Day's change
1–30	153.63	+0.26	7.33	–0.01
1–10	145.62	+0.14	7.16	–0.00
1– 3	136.91	+0.15	6.83	–0.01
3– 5	147.44	+0.06	7.37	–0.02
15–30	182.43	+0.71	7.89	–0.03

Source: Merrill Lynch

Corporate	July 7* Price	July 7* Yield	Prev Price	Prev Yield
AT & T				
3⅞ July 1990	90½	8.63	90½	8.63
SCBT South Central				
10⅞ Jan 1993	106.68	9.50	106⅝	9.54
Phibro-Sal				
8 April 1996	99.31	8.10	98½	8.15
TRW				
8⅜ March 1996	103.27	8.25	103	8.30
Arco				
9⅞ March 2016	105.53	9.32	105⅛	9.35
General Motors				
8⅝ April 2016	92.90	8.80	92.41	8.85
Citicorp				
9⅜ March 2016	98.26	9.55	97.87	9.59

Source: Salomon Brothers

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
Sept	100–18	100–26	100–04	100–17
US Treasury Bills (IMM) $1m points of 100%				
Sept	94.48	94.51	94.45	94.50
Certificates of Deposit (IMM) $1m points of 100%				
Sept	93.90	93.90	93.90	93.77
LONDON				
Three-month Eurodollar $1m points of 100%				
Sept	93.53	93.57	93.52	93.55
20-year Notional Gilt £50,000 32nds of 100%				
Sept	124–08	124–08	124–06	124–27

* Latest available figures

TOKYO
Record from poll result excitement

NEWS of the ruling Liberal-Democratic Party's lead in the previous day's double elections sent share prices sharply higher in Tokyo yesterday morning but the upward trend levelled off in the afternoon as many investors moved to the sidelines, *writes Shigeo Nishiwaki of Jiji Press.*

Large-capital issues and public works-related shares advanced on a broad front, but blue chips were neglected because of the yen's sharp appreciation against the US dollar.

The Nikkei stock average soared 231 at one stage, but fell back on profit-taking to close the session 118.71 up at 17,714.07. The index thus hit a record, eclipsing the previous high of 17,691.80 reached on July 3. Volume amounted to 716.52m shares, compared with last Friday's 666.89m. Gainers outnumbered losers 507 to 335 with 134 issues unchanged.

The market opened high on a wide front on prospects of the LDP's sweeping electoral win and climbed rapidly to a fraction less than 232 points above last Saturday's close in the mid-afternoon. The strengthening of the conservative party's political base generated expectations of stronger fiscal and monetary measures to pull the economy out of the doldrums.

As concern grew over the continued price advance since early June, mixed with fears of a possible tightening of the margin trading restriction, the Nikkei stock average rose much more slowly toward the close.

Low-priced, big capital issues attracted buyers on expectations of post-election measures to boost domestic demand by easing monetary policy and compiling a large-scale supplementary budget.

Dealing in low-priced, large-capital issues continued. Ishikawajima-Harima Heavy Industries topped the list of 10 most active stocks with 43.23m shares, gaining Y10 to Y345. Tokyo Gas was second with 42.02m shares, rising Y7 to Y512. Nippon Steel firmed Y4 to Y177.

Large-capital chemicals were also favoured. Mitsui Toatsu Chemicals was unchanged at Y370 in active trading, but Sumitomo Chemical added Y16 to Y430.

Public works-related issues were also spotlighted on expectations of stronger government measures to cushion the deflationary impact of the yen's strength.

Ohbayashi ranked third on the active list with 30.82m shares, firming Y29 to Y689. Taisei also gained Y23 to Y571. In the wake of these general contractors, Fujita advanced Y25 to Y724, Sekisui House Y40 to Y1,270 and Nippon Sheet Glass Y17 to Y780.

Trading houses that would benefit from lower interest rates continued to attract buyers. C. Itoh added Y15 to Y613 and Mitsui Y1 to Y513.

Highly speculative issues were also sought. Kubota soared Y21 to Y395 and Fukusuke Y45 to Y445.

Among the blue chips neglected because of the yen's sharp rise against the US dollar, Hitachi lost Y7 to Y817 and Sony Y10 to Y3,230.

The bond market strengthened on expectations of easier credit after the LDP victory, but later weakened on profit-taking.

The yield on the bellwether 6.2 per cent government bond due in July 1995 fell close to 4.600 per cent at one stage from last Saturday's 4.645 per cent, but closed 4.640 per cent on heavy selling of bonds in multiples of Y100bn.

The yield on the quasi-barometer 5.1 per cent government bond due in March 1996 at one point fell to 4.675 per cent from last Saturday's 4.915 per cent, but finished higher at 4.940 per cent on profit-taking.

EUROPE
Good news ignored in Frankfurt

SUMMER HOLIDAY distractions were evident in Europe yesterday where most bourses ended mixed, awaiting new trends and directions.

Frankfurt proved the exception, however, continuing its downward slide for the third consecutive trading session.

The Commerzbank index, calculated at mid-session, dropped to its lowest level for this year after a fall of 52.7 to 1,614.76.

Any good news – higher first-half profits for VW – was ignored as investors remained upset over the lower dollar and its affects on foreign earnings.

Banks and cars were again sold by overseas investors, and a late buying spree to pick up shares at lower levels could not contain the decidedly downward move.

Deutsche dropped DM 11.50 to DM 730.50, and Dresdner, at DM 391, was off DM 13 while Commerzbank eased DM 4 to DM 291.

Daimler lost a hefty DM 31 ex-dividend to DM 1,257, and BMW fell DM 17.50 to DM 550.50 while VW continued its decline with a DM 16.20 drop to DM 455.80, after a DM 10 payout.

Chemical group Hoechst suffered a loss of DM 9.10 to DM 246, and machinery maker Linde fell DM 14 to DM 666 while metal share Preussag firmed DM 1 to close at DM 176.

Expectations that the US Federal Reserve Board would cut its discount rate later this week spurred buying in bonds, and prices mostly firmed – longs by as much as 25 basis points.

The Bundesbank sold DM 41.2m worth of paper after DM 45.7m on Friday.

Stockholm moved slightly lower after Friday's record session as an industrial holiday took its toll on trading.

Fermenta was suspended amid speculation of a takeover offer which later came from Italian chemical group Montedison. Volvo, the car, energy and food group, added SKr 2 to SKr 405 and announced the sale of its Sonesson engineering unit.

Pharmacia slipped SKr 3 to SKr 246 in the wake of last week's takeover of Leo.

Sweden announced plans to limit the right of companies to distribute shares at below market prices to executives after an inquiry into a restricted issue of shares in the pharmaceutical group Leo.

Oslo edged lower despite renewed interest from foreign buyers. The big three banks are considering loosening their restrictions on foreign share ownership.

Amsterdam was mixed, gripped by a typical holiday market.

Unilever firmed again, adding Fl 1.50 to Fl 501.60, while Philips slipped 60 cents to Fl 50.40 on rumours that its US subsidiary would make provisions for expected losses.

Banks were higher, with Amro up Fl 2.10 at Fl 109.40, and among insurers Aegon rose Fl 1.20 to Fl 107.80.

Publishers VNU dropped Fl 7 to Fl 320.

Bond trading was subdued as attention remained focused on the possibility of a round of interest-rate cuts.

Paris, after a mixed opening, firmed slightly in late trade. Air Liquide dropped a substantial FFr 64 to FFr 745, and Moët-Hennessy, the champagne to rosebush group, declined FFr 29 to FFr 2,170 while Damart gave up a similar amount to FFr 1,970.

Valéo eased FFr 5 to FFr 495. Cerus, the Carlo dDe Benedetti holding company which effectively controls Valéo, the car parts group, launched an issue of 2.1m shares at FFr 665.

Zurich, Milan and Brussels were all mixed on light volume while communication issues led the rally in a higher Madrid.

SOUTH AFRICA

UNEVENTFUL TRADING was seen in Johannesburg, despite marginal improvements in gold bullion prices, and shares closed mixed in the absence of fresh leads.

Among the leading gold stocks Vaal Reefs gained R1.50 to R235. Gold Fields group mines were also mostly higher after quarterly results, but in generally firm mining financials Gold Fields itself eased 25 cents to R41.75. Driefontein fell 50 cents to R52.2 after reporting lower second-quarter profits.

CANADA

ACTIVE TRADING saw stocks move sharply lower in Toronto. Industrials led the downward drift, with actives including MacMillan Bloedel down C$½ at C$35¼ and Canadian Pacific easing C$⅛ to C$16⅝. Metals and mines and oils also weakened.

In Montreal most major share groups joined a broad retreat.

LONDON

A MOOD of uncertainty descended on London, where leading shares ended on a dejected note in the absence of any firm guide. Government bonds, however, made further early progress.

British Telecom, the victim of nervous selling triggered by reports that a future Labour Government would renationalise the group, ended down 18p at 198p.

The FT Ordinary share index closed 6.7 lower at 1,347.8 while the more broadly based FT-SE 100 ended down 18.4 at 1,631.0.

The outcome of the Japanese elections and hopes of lower interest rates worldwide further encouraged gilts investors.

Chief price changes, Page 41; Details, Page 40; Share information service, Pages 38–39.

HONG KONG

THIN, LARGELY directionless trading set the tone in Hong Kong where stocks closed marginally higher and the Hang Seng index ended 4.76 higher at 1,761.52.

HK Wharf rose 10 cents to HK$7.15 amid continued speculation of a merger between the company and its World International parent, which added 2.5 cents to HK$2.65.

Institutions were mainly sidelined but light bargain hunting by small investors supported some blue chips. Hutchison Whampoa gained 30 cents to HK$20, while Swire Pacific A rose 10 cents to HK$12.

SINGAPORE

RELUCTANCE among buyers sent prices down in light dealings in Singapore, where the Straits Times industrial index dropped 10.35 to 725.38 and turnover slumped to 9.1m shares, the market's slowest pace for more than a month.

Sime Darby lost 1 cent to S$1.57. Among banks, which were marginally weaker, Malay Banking was 12 cents lower at S$3.78, but DBS gained 5 to S$6.95. SIA rose 5 cents to S$7.15.

AUSTRALIA

CONTINUING bearish sentiment brought share prices lower across the board in patchy Sydney trading. The All Ordinaries index closed 6.6 lower at 1,136.2.

BHP ended 20 cents down at A$8.94 while Bell Resources eased 15 cents to A$3.85. Bell Group was 3 cents lower at A$8.1. Mines were generally firmer while banks were mostly easier. Media stocks also came under pressure.